

Maxigen Biotech Inc.

2019 Annual Shareholders Meeting

Meeting Handbook

Time: June 26, 2019

Venue: No. 88, Keji 1st Rd., Guishan District, Taoyuan City (3rd Floor Meeting Room of the Company)

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Maxigen Biotech Inc.

2019 Annual Shareholders Meeting Meeting Procedures

Time: 10:30 a.m., Wednesday, June 26, 2019

Venue: 3rd Floor Meeting Room of the Company (No. 88, Keji 1st Rd., Guishan District, Taoyuan City)

- I. Announcement of shares being represented in the Shareholders Meeting
- II. Calling the Meeting to Order
- III. Chairperson Remarks
- IV. Management Presentation
- V. Matters to be Reported
- VI. Matters to be discussed
- VII. Extempore motions
- VIII. Adjournment

Maxigen Biotech Inc.

2019 Annual Shareholders Meeting Meeting Agenda

- I. Chairperson Remarks
- II. Management Presentation
 - (I) 2018 Business Report
 - (II) Supervisors' Review Report on 2018 Financial Statements
 - (III) Report on 2018 Employees, Directors, and Supervisors' Remuneration Distribution
- III. Matters to be Reported
 - (I) Adoption of the Company's 2018 Business Report and Financial Statements
 - (II) Adoption of the Proposal for Distribution of 2018 Earnings
- IV. Matters to be discussed
 - (I) Amendment of the Company's Articles of Incorporation
 - (II) Amendment of the Company's "Procedures for Acquisition or Disposal of Assets"
- V. Extempore motions
- VI. Adjournment

Management Presentation

Proposal 1: The following is the Company's 2018 Business Report. Please inspect accordingly.

Explanation:

- (I) Please see Attachment 1 (#pages 7 to 8# in the Handbook) for the Business Report.
- (II) Please see Attachment 3 (#Pages 10 to 30# in the Handbook) for the Financial Statements.

Proposal 2: The following is the Supervisors' Review Report on the 2018 Financial Statements. Please inspect accordingly.

Explanation: Please see Attachment 2 (#Page 9# of the Handbook) for the Supervisors' Review Report.

Proposal 3: Report on 2018 Employees' and Directors' Remuneration Distribution. Please inspect accordingly.

Explanation:

- (I) The proposed remuneration of employees is NT\$4,100,000 for 2018 (6.59% of net profit before tax before deducting the remuneration of employees, Directors and Supervisors) in accordance with Article 19 of the Articles of Incorporation of Maxigen Biotech Inc. (Please refer to Appendix 2) to show appreciation of employees' hard work.
- (II) The proposed Directors' and Supervisors' remuneration is NT\$1,210,000 for 2018 (1.94% of net profit before tax before deducting the remuneration for employees, Directors, and Supervisors) in accordance with Article 19 of the Articles of Incorporation of Maxigen Biotech Inc. (Please refer to Appendix 2) to show appreciation of Directors' and Supervisors' hard work.
- (III) The proposal was reviewed and approved by the Remuneration Committee and submitted to Board of Directors for discussion and approval. The remuneration shall be distributed in cash.

Matters to be Reported

(Proposed by the Board)

Proposal 1: Please adopt the Company's 2018 Business Report and Financial Statements.

Explanation:

- (I) The Company's 2018 Individual and Consolidated Financial Statements have been passed by the Board and audited by CPAs Shu-Lin Liu and Wen-Ya Hsu from Deloitte & Touche Taiwan. Furthermore, the Business Report and Individual and Consolidated Financial Statements have also been inspected by the Company's Supervisors and a review report has been issued accordingly.
- (II) Please see Attachment 1 (#Pages 7 to 8# in the Handbook) for the Business Report.
- (III) Please see Attachment 3 (#Pages 10 to 30# in the Handbook) for the Company's financial information.

Resolution:

(Proposed by the Board)

Proposal 2: Adoption of 2018 Profits Distribution Proposal.

Explanation:

- (I) The Company's net profit after tax was NT\$57,054,459 in 2018. After deducting statutory surplus of NT\$5,705,446 and adding definitive benefit plan of NT\$467,806 and reversal of provision for special surplus reserve NT\$45,731 (the closing balance at the time of foreign exchange conversion of foreign operating agencies). Thus, the surplus available for distribution was NT\$51,862,550. Based on the number of 77,375,000 outstanding shares on the date of the Board of Directors' Meeting on March 20, 2019, NT\$0.68049822 was issued to each common share for a total of NT\$47,270,809 and NT\$0.58049822 was issued to each preferred share for a total of NT\$4,591,741. The calculation was rounded down to the closest dollar and the sum of changes was included in other income of the Company.
- (II) Please see the following Profit Distribution Table for 2018:

Maxigen Biotech Inc.
Profit Distribution Table
2018

Unit: NT\$

Item	Amount
Beginning retained earnings	\$ 0
Remeasured retained earnings as per the benefit plan	467,806
Surplus not distributed after adjustment	467,806
Net income	57,054,459
Allocation to statutory surplus reserve (10%)	(5,705,446)
Reversal of provision for special surplus reserve	45,731
Retained earnings available for distribution for this period	51,862,550
Items of distribution	
Cash dividends for common shares (@0.68049822)	(47,270,809)
Cash dividends for preferred shares (@0.58049822)	(4,591,741)
Unappropriated retained earnings at the end of the period	\$ 0

Chairman: Li-Teh Hsu

Manager: Song-Ching Chen

Accounting Manager: I-Hua Yu

- (III) (III) After the proposal of profit distribution has been approved in Shareholders' Meeting, the Chairman will be authorized to set an ex-dividend basis date, issue date and decide on other related matters.
- (IV) (IV) If the share capital has changed and caused an impact on outstanding shares, and thus impacted the dividend yield after the dividend payout, it is proposed that the shareholders should authorize the Chairman of the board to comply with the company law or its related laws and regulations.

Resolution:

Matters for Discussion

(Proposed by the Board of Directors)

Proposal 1: Please discuss the proposal to amend the Company's Articles of Incorporation.

Explanation:

- (I) Amendment to the Articles of Incorporation are proposed in accordance with amendment to the Company Act.
- (II) Please see Attachment 4 (#Pages 31 to 32# in the Handbook) for Articles before and after the amendments.

Resolution:

(Proposed by the Board of Directors)

Proposal 2: Please discuss the proposal to amend the Company's "Procedures for Acquisition or Disposal of Assets."

Explanation:

- (I) Amendments to the Company's "Procedures for the Acquisition or Disposal of Assets" are proposed in accordance with the Certificate "Fa" No. 1070341072 order issued by FSC dated November 26, 2018 and adoption of IFRS 16 "Leases" as well as to improve the disclosure quality of public companies' acquisition or disposal of assets and clarify the liabilities of external experts.
- (II) Please see Attachment 5 (#Pages 33 to 49# in the Handbook) for Articles before and after the amendments.

Resolution:

Extempore motions
Adjournment

Maxigen Biotech Inc.

2018 Business Report

I. Scope of Business

The core technology of Maxigen Biotech Inc. is the application of collagen, hyaluronic acid (also known as hyaluronic acid) and calcium phosphate bioceramics and other biopolymer materials on biomedical materials and skin care products departments. After years of hard working, the Company's Biomedical Division has successfully developed 21 advanced medical implant materials with areas of application ranging from orthopedics, dentistry, ophthalmology, dermatology, and plastic surgery, and received 46 product licenses from Taiwan, EU, USA, Singapore, Indonesia, Malaysia and China. The skin care product department focuses on R&D business for domestic and international major skin care brands. The department focuses on developing exclusive formulas, coating process technology and micro-infiltration technology, and actively invests in automated production lines to expand production capacity to undertake larger orders and increase the competitive advantage of the R&D business for the skin care products at the same time.

II. Business Performance in 2018

The Company's net operating revenue in 2018 amounted to NT\$427,680 thousand which was an increase of NT\$119 thousand from NT\$427,561 in 2017. The growth rate is 0.03%. In particular, revenue from Biomedical Division was NT\$264,505 thousand, representing an increase of NT\$43,492 thousand from NT\$221,013 thousand in 2017. The growth rate was 20% and it was mainly due to the increase of revenue from new foreign customers. In addition, revenue from the skincare segment was NT\$163,175 thousand which was a decrease of NT\$43,373 thousand from NT\$206,548 in 2017. The decline was 21% and it was mainly attributed to the decrease in revenue from foreign OEM customers.

The Company continued to expand operation scale and actively and effectively reduce related operating costs in 2018. The measures increased operating profit by 119% from 2017 while business expense rate dropped by 33% from 2017 to 32%. Net profit after tax increased significantly by 261% from 2017.

III. Current R&D Status

The core technology of the Company is focused on the development of products of biomedical implantation materials from collagen, hyaluronic acid, and calcium phosphate-based bioceramics, which are intended for repairing or replacing damaged tissues of the human body. Results of R&D in 2018: 8 marketing licenses received for self-owned products.

Below is a list of the products that have received permits:

- February 2018: The Company obtained the marketing license for ArtiAid Intra-articular Injection in Malaysia.
- March 2018: The Company obtained the marketing license for ViscAid Ophthalmic Viscoelastic in Malaysia.
- April 2018: The Company obtained the marketing license for Foramic Bone Substitute Granules in Malaysia.

- May 2018: The Company obtained the marketing license for Formaderm Charming Dermal Filler Injection in Taiwan.
- July 2018: The Company obtained the marketing licenses for Formaderm Lidocaine and Formaderm Young Lidocaine in Taiwan.
- December 2018: The Company obtained the marketing licenses for Bioport Intra-articular Injection Prosthesis and Bioport Mini Intra-articular Injection Prosthesis in Russia. (Obtained marketing license in Januray 2019)

In addition, the Company has increased the resource injection of clinical tests in each year to enhance product competitiveness. There were 4 clinical trials in 2018. The descriptions are as follows:

- (1) 'Study of safety and efficacy for patient with shoulder disorder use subacromial bursa injection of ArtiAid Intra-articular injection'. Ongoing at National Cheng Kung University Hospital.
- (2) "Study of safety and efficacy for patient with carpometacarpal joint arthritis use ArtiAid Intra-articular injection". Ongoing at E-DA Hospital.
- (3) "Safety and effectiveness of HealiAid collagen wound dressing for different types of wounds" was completed at Linkou Chang Gung Memorial Hospital and significant clinical results were proved for HealiAid collagen wound dressing on wounds that are difficult to heal (e.g.decubitus ulcers).
- (4) "Formaderm young dermal filler injection pre-market clinical trail". Ongoing in China.

In terms of the Skincare Business Department, we also actively strengthen the development of exclusive technologies and patents and we shall use the biomedical technology and raw materials to develop the skincare products to improve the value of customers' products. The technical achievements of Company's applied biomedical technology development and skincare products in 2018 were as follows:

- (1) To make product unique, irreplaceable, and distinct from hyaluronic acid used in regular products in the market, we applied the "cross-linked hyaluronic acid" product of the Biomedical Product Business Group in the development of different formulas. It provided outstanding moisturizing and anti-wrinkle performance and we successfully developed three products which we are preparing for mass production.
 - Hyaluronic acid hydrating essence
 - Hyaluronic acid soothing essence
 - Regenerative moisturizing cream
- (2) We applied freeze drying technologies in the development of new membrane materials and used the integration of vessels and formula dosage to achieve more diverse and sustainable development. The optimization of formula and conditions are being implemented.
- (3) We used the "water micromolecule encapsulation technology" derived from biomedical miniaturization technologies and completed the development of stability and particle diameter analysis test for a formula.

After years of hard work, the Company's Biomedical Division and Skin Care Division have both established solid foundations. Apart from continuing to strengthen our core competencies in innovation and R&D to develop pioneering products in the future, we will also strengthen our marketing and business expansion capabilities to achieve profitability.

Chairman: Li-Teh Hsu

Manager: Song-Ching Chen

Accounting Manager: I-Hua Yu

Supervisors' Audit Report

The Board of Directors had submitted documents including the Company's 2018 Individual and Consolidated Financial Statement, which have been audited by CPAs Shu-Lin Liu and Wen-Ya Hsu from Deloitte & Touche Taiwan, along with the Business Report and the Proposal for Appropriation of Profit & Loss for our review. After inspection by the Supervisors, no material misstatement has been found, and we have prepared an Audit Report in accordance with Article 219 of the Company Act. Please inspect accordingly.

To

2019 Shareholders' Meeting

Maxigen Biotech Inc.

Supervisor: Shui-Chuan Dai

Supervisor: I Tai

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Accountant's Audit Report

To Maxigen Biotech Inc.:

Audit Opinion

Maxigen Biotech Inc. and its subsidiaries' Consolidated Balance Sheet as of December 31, 2018 and 2017, in addition to the Consolidated Comprehensive Income Statement, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, and Notes to the Consolidated Financial Statement (including material accounting policies) from January 1 to December 31, 2018 and 2017, have been audited by the CPAs.

Per opinions of the CPAs, the consolidated financial statements mentioned in paragraph one have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers in all material aspects, and can be reasonably assessed to present the consolidated financial conditions of Maxigen Biotech Inc. and its subsidiaries as of December 31, 2018 and 2017, as well as the consolidated financial performance and consolidated cash flow as of January 1 to December 31, 2018 and 2017.

Basis of Audit Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Individual Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our CPAs will further explain the responsibilities auditors shall execute during the audit of Consolidated Financial Statements under the above principles below. The independent accountants of Deloitte & Touche Taiwan shall comply with the ethical code of conduct for accountants and remain neutral to Maxigen Biotech Inc. and its subsidiaries in fulfilling their duties. Our CPAs believe that sufficient and appropriate verification proof have been obtained, which shall serve as the basis of our audit opinion.

Key Audit Items

Key audit items refer to the most critical items in the 2018 consolidated financial statement of Maxigen Biotech Inc. and its subsidiaries being audited by the accountants when performing their professional judgment. These items have been covered in the verification process of the overall Consolidated Financial Statements and the audit opinion; hence, the CPAs shall not express a separate opinion on these items.

Below is an explanation of the key verification items for the 2018 Consolidated Financial Statements of Maxigen Biotech Inc. and its subsidiaries:

Inventory valuation

Maxigen Biotech Inc. and its subsidiaries primarily undertake the manufacturing and retailing of medical equipment, facial masks, and skin care products. Since the Company operates in a rapidly-changing industry, Maxigen Biotech Inc. and subsidiaries are faced with the need for rapid product launches and severe competition. The carrying amount of inventory as of December 31, 2018 was NT\$82,618 thousand (deduction of the allowance for price decline of NT\$32,303 thousand) and the allowance for inventory valuation and obsolescence loss in 2018 was NT\$8,135 thousand. Since the remaining balance of the inventory and reserve against inventory devaluation posed material impact on the overall consolidated financial statements, and the valuation of the inventory's net cash equivalent value and loss from idle inventory require material judgment, inventory valuation is therefore listed as a key audit item.

The CPAs focused on the inventory rating on the Balance Sheet, including whether the judgment for classification of out-of-date products and products fit for continuing sales from Maxigen Biotech Inc. and its subsidiaries were appropriate, and conducted assessment on the reasonableness of the calculation of the loss from recording inventory's allowance for devaluation for out-of-date products. We tested for the source of the net cash value of the products for continuing sales and conducted sampling of prices for the most recent sales. For allowance for devaluation of inventory, we compared against the Company's historical experiences and also undertook random inspection and re-calculation to test for the accuracy of the inventory valuation from the management level.

For subsequent rating on the accounting policy for inventory from Maxigen Biotech Inc. and its subsidiaries, please see Note 4. For explanations on material accounting judgment and estimation of uncertainty, please see Note 5, and for relevant statement and disclosure, please see Note 9.

Revenue recognition

When Maxigen Biotech Inc. and subsidiaries sell products, revenue is recognized when the customer obtains control over the products and contract performance conditions are satisfied. Sales are concentrated to the top 10 customers which account for approximately 57% of consolidated revenue. Since the client base is narrow and operating revenue from this client base poses material impact on the overall consolidated financial statements, this has been classified as a key audit item.

For accounting policy regarding revenue recognition from Maxigen Biotech Inc. and its subsidiaries, please see Note 4. The CPAs understood and tested for the design and implementation of the revenue recognition accounting policy and internal control, and inspected the contracts from Maxigen Biotech Inc. and its subsidiaries with the Company's top 10 clients to ensure whether accounting procedures and accounting policies for revenue recognition are in line. We also conducted

analysis to prove whether revenue recognition conditions fully match regulations from accounting policies, and whether the time frame for revenue recognition is appropriate, based on past experiences and recent sales conditions.

Other matters

Maxigen Biotech Inc. has also prepared Individual Financial Statements for 2018 and 2017, and they have also received an audit report of unqualified opinion from our CPAs for your reference.

The responsibility of the management and governance units for the consolidated financial statements

To ensure that the Consolidated Financial Statements do not contain material misstatements caused by fraud or error, the management level is responsible for preparing prudent Individual Financial Statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and in accordance with IFRS, IAS as recognized and announced by the FSC to be effective, in line with proper explanations, and to prepare and maintain necessary internal control procedures pertaining to the Consolidated Financial Statements.

In preparing the Consolidated Financial Statements, the responsibility of management includes the assessment of the sustainability of Maxigen Biotech Inc. and its subsidiaries, disclosure of related matters, and the adoption of a going-concern accounting basis, unless the management intends to liquidate Maxigen Biotech Inc. and its subsidiaries, terminate the business, or there is no practicable measure other than liquidation or termination of the business can be taken.

The governance units (including supervisors) of Maxigen Biotech Inc. and its subsidiaries have the responsibility of supervising its financial reporting procedures.

The responsibility of certified public accountants when auditing consolidated financial statements

The purpose of the CPAs' audit of the Consolidated Financial Statements is to obtain reasonable assurance for whether the Statements contain material misstatement due to fraud or error, and to provide an auditing report. "Reasonable assurance" refers to high levels of credibility; nevertheless, our auditing work carried out according to GAAP may not guarantee that material misstatement will be detected within the Consolidated Financial Statements. Misstatement could be caused by fraud or error. If it could be reasonably anticipated that the misstated individual amounts or aggregated sum could have influence over the economic decisions made by the users of the Consolidated Financial Statements, it will be deemed as material.

The CPA has utilized their professional judgment and maintained professional doubt when conducting audit according to GAAP. The CPAs have also implemented the following procedures:

1. Identified and evaluated the risk of material misstatement due to fraud or error in the Consolidated Financial Statements; designed and carried out appropriate countermeasures for the evaluated risks; and obtained sufficient and appropriate evidence as the basis of their audit opinion. The risk of fraud is likely to involve collusion, forgery, deliberate omission, false declaration or transcend internal control, so the risk of improper expression of fraud is not higher than that caused by the wrong person.
2. Obtained necessary knowledge about the internal control mechanism that is closely related to auditing work and designed the appropriate audit procedure without the intention to express any opinion about the validity of the internal control of Maxigen Biotech Inc. and its subsidiaries.
3. Evaluated the appropriateness of the accounting policies adopted by the management level and the reasonableness of its accounting work and relevant disclosures.
4. Based on the audit evidence established, concluded on the appropriateness for the management to continue to adopt the same accounting basis and whether there was any significant doubt about the capacity of Maxigen Biotech Inc. and its subsidiaries to remain in operation or whether there were any significant uncertainty regarding its conditions. If the CPAs are of the opinion that material uncertainty exists within these matters or conditions, the CPAs shall remind the users of the Consolidated Financial Statements to pay attention to relevant disclosure in the Statements in their auditing report, or to revise the audit opinion when such disclosure is inappropriate. The CPAs' conclusion is based on the auditing evidence obtained up to the date of the auditing report. Nevertheless, future events or situations may lead to loss of operation ability of Maxigen Biotech Inc. and its subsidiaries.
5. Evaluated the overall expression, structure and contents of the Consolidated Financial Statements (including relevant Notes), and whether the Consolidated Financial Statements fairly present relevant transactions and items.
6. Obtained sufficient and appropriate auditing evidence for the Group's internal formation of its consolidated financial information and expressed opinion on its Consolidated Financial Statements. The CPAs were responsible for guiding, supervising and executing the audit work for the group and also establishing the auditor's opinion.

The CPAs' communications with the governance units include the planned auditing scope and timeframe and material auditing finding (including significant defects identified in the internal control during auditing procedures).

We have also provided the statement pertaining to our accounting firm's personnel under governance of independence to the governance unit, and communicated with governance unit over relations and other items (including relevant protective measures) that could affect the CPA's independence.

In the communications between us and the company's governing body, we have determined the key audit items from 2018 consolidated financial statements of Maxigen Biotech Inc. and its subsidiaries. The CPAs have clearly indicated such matters in the audit report. Unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where the CPAs decided not to communicate specific items in the audit report where it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Deloitte & Touche Taiwan

Shu-Lin Liu, CPA

Wen-Ya Hsu, CPA

Approval No. from Financial Supervisory
Commission in R.O.C.

FSC No. 1050024633

Approval No. from the Securities and Futures
Commission

Tai-Cai-Zheng-6 No. 0920123784

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Maxigen Biotech Inc. and Subsidiaries
Consolidated Balance Sheet
As of December 31, 2018 and 2017

Unit: NT\$1,000

Code	Asset	December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 and 6)	\$ 184,844	16	\$ 182,218	17
1150	Notes receivable (Note 4 and 8)	23,612	2	24,563	2
1170	Accounts receivable (Note 4, 5, and 8)	55,813	5	99,063	9
1180	Accounts receivable - related parties (Notes 4, 8, and 27)	7,095	1	2,464	-
1200	Other receivables (Note 4 and 8)	36	-	33,710	3
130X	Inventory (Note 4, 5, and 9)	82,618	7	93,977	9
1476	Other financial assets - current (Note 7 and 28)	232,254	21	123,048	11
1479	Other current assets (Note 11)	13,253	1	14,286	2
11XX	Total current assets	<u>599,525</u>	<u>53</u>	<u>573,329</u>	<u>53</u>
	Non-current assets				
1600	Property, plant and equipment (Note 4, 12 and 28)	494,029	44	502,047	46
1760	Net real estate investment (Note 4 and 13)	8,952	1	8,983	1
1780	Intangible assets (Note 4 and 14)	2,585	-	2,714	-
1840	Deferred income tax assets (Note 4 and 22)	1,199	-	1,093	-
1920	Refundable guarantee deposits	791	-	1,774	-
1975	Net defined benefit assets (Note 4 and 18)	2,773	-	2,269	-
1990	Other non-current assets (Note 11)	25,603	2	11,771	-
15XX	Total non-current assets	<u>535,932</u>	<u>47</u>	<u>530,651</u>	<u>47</u>
1XXX	Total assets	<u>\$ 1,135,457</u>	<u>100</u>	<u>\$ 1,103,980</u>	<u>100</u>
	Liability and shareholder's equity				
	Current liabilities				
2170	Bills and accounts payable (Note 15 and 27)	\$ 30,995	3	\$ 40,512	4
2200	Other payables (Note 16)	45,016	4	36,734	3
2230	Current income tax liabilities (Notes 4 and 22)	381	-	-	-
2320	Long-term liabilities due within one year or one operating cycle (Note 17)	-	-	1,636	-
2325	Liabilities from preferred shares - current (Note 19)	213,135	19	-	-
2399	Other current liabilities (Note 16)	2,862	-	4,101	1
21XX	Total current liabilities	<u>292,389</u>	<u>26</u>	<u>82,983</u>	<u>8</u>
	Non-current liabilities				
2540	Long-term loans (Note 17)	-	-	13,242	1
2635	Liabilities from preferred shares - non-current (Note 19)	-	-	211,413	19
2645	Guarantee deposits	89	-	89	-
25XX	Total non-current liabilities	<u>89</u>	<u>-</u>	<u>224,744</u>	<u>20</u>
2XXX	Total liabilities	<u>292,478</u>	<u>26</u>	<u>307,727</u>	<u>28</u>
	Equity (Note 20)				
	Capital				
3110	Common shares	<u>708,470</u>	<u>62</u>	<u>708,470</u>	<u>64</u>
	Capital reserve				
3210	Capital reserve - share premium	100,044	9	100,044	9
3271	Capital reserve - employee share options	1,660	-	1,660	-
3272	Capital reserve - convertible bonds	6,801	1	6,801	1
3200	Total capital reserve	<u>108,505</u>	<u>10</u>	<u>108,505</u>	<u>10</u>
	Retained earnings				
3310	Statutory surplus reserve	1,579	-	-	-
3320	Special surplus reserve	3,124	-	-	-
3350	Undistributed earnings	57,523	5	15,546	1
3300	Total retained earnings	<u>62,226</u>	<u>5</u>	<u>15,546</u>	<u>1</u>
3410	Conversion difference of financial statements of foreign operations	(3,078)	-	(3,124)	-
3500	Treasury shares	(33,144)	(3)	(33,144)	(3)
3XXX	Total equity	<u>842,979</u>	<u>74</u>	<u>796,253</u>	<u>72</u>
	Total liabilities and equity	<u>\$ 1,135,457</u>	<u>100</u>	<u>\$ 1,103,980</u>	<u>100</u>

The attached Notes are parts of this Consolidated Financial Statements.

Chairman: Li-Teh Hsu

Manager: Song-Ching Chen

Accounting Manager: I-Hua Yu

Maxigen Biotech Inc. and Subsidiaries

Consolidated Income Statement

January 1 to December 31, 2018 and 2017

Unit: NT\$1,000 (except earnings per share)

Code		2018		2017	
		Amount	%	Amount	%
	Operating revenue (Note 4 and 27)				
4100	Sales revenue	\$ 411,151	96	\$ 413,849	97
4800	Other operating revenue	<u>16,529</u>	<u>4</u>	<u>13,712</u>	<u>3</u>
4000	Total operating revenue	427,680	100	427,561	100
	Operating costs (Note 9, 18, 21 and 27)				
5110	Cost of goods sold	<u>245,112</u>	<u>57</u>	<u>267,276</u>	<u>62</u>
5900	Gross profit	<u>182,568</u>	<u>43</u>	<u>160,285</u>	<u>38</u>
	Operating expenses (Note 18 and 21)				
6100	Marketing expenses	40,908	10	49,049	12
6200	Administrative expenses	44,859	10	46,878	11
6300	R&D expenses	50,672	12	43,310	10
6450	Expected credit-impaired benefits	(<u>59</u>)	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total operating expenses	<u>136,380</u>	<u>32</u>	<u>139,237</u>	<u>33</u>
6900	Operating profit	<u>46,188</u>	<u>11</u>	<u>21,048</u>	<u>5</u>
	Non-operating income and expenses (Note 21)				
7010	Other revenue	3,871	1	1,908	-
7020	Other gains and losses	11,265	3	(2,144)	-
7050	Finance cost	(<u>4,016</u>)	(<u>1</u>)	(<u>4,117</u>)	(<u>1</u>)
7000	Total non-operating income and expenses	<u>11,120</u>	<u>3</u>	(<u>4,353</u>)	(<u>1</u>)

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Code		2018		2017	
		Amount	%	Amount	%
7900	Pre-tax profit	\$ 57,308	13	\$ 16,695	4
7950	Income tax expenses (Note 4 and 22)	(253)	-	(908)	(1)
8200	Net income	57,055	13	15,787	3
	Other comprehensive income/loss (Note 18 and 20)				
	Items that will not be reclassified to profit or loss				
8311	Remeasurements of defined benefit plans	468	-	(241)	-
	Items that may be reclassified to profit or loss				
8361	Conversion difference of financial statements of foreign operations	46	-	(672)	-
8300	Total other comprehensive income/loss	514	-	(913)	-
8500	Total comprehensive income (loss) for the period	\$ 57,569	13	\$ 14,874	3
	Loss attributable to:				
8610	Owners of the Company	\$ 57,055	13	\$ 15,787	4
	Total comprehensive income (loss) attributable to:				
8710	Owners of the Company	\$ 57,569	13	\$ 14,874	3
	Earnings per share (Note 23) from continuing business				
9750	Basic	\$ 0.82		\$ 0.23	
9850	Diluted	\$ 0.78		\$ 0.23	

The attached Notes are parts of this Consolidated Financial Statements.

Chairman: Li-Teh Hsu

Manager: Song-Ching Chen

Accounting Manager: I-Hua Yu

Maxigen Biotech Inc. and Subsidiaries
Consolidated Statement of Changes in Equity
January 1 to December 31, 2018 and 2017

Unit: NT\$1,000

		Share capital	Capital reserve				Retained earnings			Other equity		
Code		Ordinary shares	Issue premium	Share option	Preferred shares — conversion option	Statutory surplus reserve	Special surplus reserve	Undistributed earnings	Conversion difference of financial statements of foreign operations	Treasury shares	Total equity	
A1	Balance as of January 1, 2017	\$ 708,470	\$ 112,535	\$ 1,660	\$ 6,801	\$ -	\$ -	(\$ 12,491)	(\$ 2,452)	(\$ 33,144)	\$ 781,379	
D1	Net profit in 2017	-	-	-	-	-	-	15,787	-	-	15,787	
D3	Other comprehensive profit/loss in 2017	-	-	-	-	-	-	(241)	(672)	-	(913)	
C11	Compensation for deficit from paid-up capital reserve	-	(12,491)	-	-	-	-	12,491	-	-	-	
Z1	Balance as of December 31, 2017	708,470	100,044	1,660	6,801	-	-	15,546	(3,124)	(33,144)	796,253	
	Surplus allocation and distribution in 2017											
B1	Appropriation for statutory surplus reserve	-	-	-	-	1,579	-	(1,579)	-	-	-	
B3	Appropriation for special surplus reserve	-	-	-	-	-	3,124	(3,124)	-	-	-	
B5	Cash dividends for common shares	-	-	-	-	-	-	(10,443)	-	-	(10,443)	
B7	Cash dividends for preferred shares	-	-	-	-	-	-	(400)	-	-	(400)	
D1	Net profit in 2018	-	-	-	-	-	-	57,055	-	-	57,055	
D3	Other comprehensive profit/loss in 2018	-	-	-	-	-	-	468	46	-	514	
Z1	Balance at December 31, 2018	\$ 708,470	\$ 100,044	\$ 1,660	\$ 6,801	\$ 1,579	\$ 3,124	\$ 57,523	(\$ 3,078)	(\$ 33,144)	\$ 842,979	

The attached Notes are parts of this Consolidated Financial Statements.

Chairman: Li-Teh Hsu

Manager: Song-Ching Chen

Accounting Manager: I-Hua Yu

Maxigen Biotech Inc. and Subsidiaries
Consolidated Cash Flow Statement
January 1 to December 31, 2018 and 2017

Unit: NT\$1,000

Code		2018	2017
	Cash flow from operating activities		
A10000	Current net profit before tax	\$ 57,308	\$ 16,695
A20000	Income and expense items:		
A20100	Depreciation expense (including depreciation of real estate for investment)	25,448	24,302
A20200	Amortization expense	798	1,466
A20300	Expected credit impairment (reversed profits) losses	(59)	435
A20400	Net gains on financial assets and liabilities at fair value through profit and loss	-	(1,526)
A20900	Finance cost	4,016	4,117
A21200	Interest income	(3,471)	(1,485)
A22500	Loss on disposal of property, plant and equipment	260	1
A30000	Net changes in working capital assets and liabilities		
A31110	Financial assets at fair value through profit or loss	-	57,986
A31130	Notes receivable	951	3,537
A31150	Accounts receivable	43,309	(27,180)
A31160	Accounts receivable - related parties	(4,631)	7,428
A31180	Other receivables	33,674	(33,640)
A31200	Inventory	11,359	(2,937)
A31230	Net defined benefit assets	(36)	(37)
A31240	Other current assets	1,246	1,761
A32150	Notes and accounts payable	(9,517)	6,746
A32180	Other payables	8,034	(1,471)
A32230	Other current liabilities	(1,239)	(6,293)
A33000	Cash inflow from operating activities	167,450	49,905
A33100	Interest received	3,471	1,485
A33300	Interest paid	(149)	(281)
A33500	Income tax received (paid)	(191)	317
AAAA	Net cash inflow from operating activities	<u>170,581</u>	<u>51,426</u>

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Code		2018	2017
	Cash flow from investing activities		
B06500	Increase in other financial assets	(\$ 385,338)	(\$ 153,924)
B06600	Decrease in other financial assets	276,132	232,490
B02700	Acquisition of property, plant and equipment	(19,556)	(29,007)
B02800	Disposal of property, plant and equipment	-	4
B04500	Intangible assets acquired	(669)	-
B03700	Increase in guarantee deposits paid	(36)	(153)
B03800	Decrease in guarantee deposits paid	995	912
B06700	Increase in other non-current assets	(13,832)	(10,250)
BBBB	Net cash inflow (outflow) of investing activities	(142,304)	40,072
	Cash flow from financing activities		
C04500	Distribution of cash dividends	(10,843)	-
C01700	Repayment of long-term loans	(14,878)	(1,606)
C03100	Decrease in guarantee deposits received	-	(3,770)
C03000	Increase in guarantee deposits received	-	100
CCCC	Net cash outflow of financing activities	(25,721)	(5,276)
DDDD	Impacts on cash and cash equivalents from changes in exchange rates	70	(638)
EEEE	Net increase in cash and cash equivalents	2,626	85,584
E00100	Cash and cash equivalents at the beginning of year	182,218	96,634
E00200	Cash and cash equivalents at the end of year	\$ 184,844	\$ 182,218

The attached Notes are parts of this Consolidated Financial Statements.

Chairman: Li-Teh Hsu

Manager: Song-Ching Chen

Accounting Manager: I-Hua Yu

Accountant's Audit Report

To Maxigen Biotech Inc.:

Audit Opinion

Maxigen Biotech Inc.'s Individual Balance Sheet as of December 31, 2018 and 2017, in addition to the Individual Comprehensive Income Statement, Individual Statement of Changes in Equity, Individual Cash Flow Statement, and Notes to the Individual Financial Statement (including material accounting policies) from January 1 to December 31, 2018 and 2017, have been audited by the CPAs.

Per opinions of the CPAs, the individual financial statements mentioned in paragraph one have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers in all material aspects, and can be reasonably assessed to present the consolidated financial conditions of Maxigen Biotech Inc. as of December 31, 2018 and 2017, as well as the individual financial performance and individual cash flow as of January 1 to December 31, 2018 and 2017.

Basis of Audit Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Individual Financial Statements by Certified Public Accountants and Generally Accepted Auditing Principles (GAAP). The responsibilities of our CPAs under such principles will be further explained in the paragraph "Responsibilities of the CPAs in auditing the Individual Financial Statements" The independent accountants of Deloitte & Touche Taiwan shall comply with the ethical code of conduct for accountants and remain neutral to Maxigen Biotech Inc. in fulfilling their duties. Our CPAs believe that sufficient and appropriate verification proof have been obtained, which shall serve as the basis of our audit opinion.

Key Audit Items

Key audit items refer to the most critical items in the 2018 Individual Financial Statement of Maxigen Biotech Inc. according to the professional judgment of the CPAs. These items have been covered in the verification process of the overall Individual Financial Statements and the audit opinion; hence, the CPAs shall not express a separate opinion on these items.

Below is an explanation of the key verification items for the 2018 Individual Financial Statements of Maxigen Biotech Inc:

Inventory valuation

Maxigen Biotech Inc. primarily engages in manufacturing and retailing of medical equipment, facial masks and skin care products. Since the Company operates in a rapidly-changing industry, Maxigen Biotech Inc. is faced with the need for rapid product launches and severe competition. The carrying amount of inventory at December 31, 2018 was NT\$81,727 thousand (deduction of the allowance for price decline of NT\$32,079 thousand) and the allowance for inventory valuation and obsolescence loss in 2018 was NT\$9,267 thousand. Since the remaining balance of the inventory and reserve against inventory devaluation posed material impact on the overall individual financial statements, and the valuation of the inventory's net cash equivalent value and loss from idle inventory require material judgment, inventory valuation should be listed as a key verification item.

The CPAs focused on the inventory rating on the Balance Sheet, including whether the judgment for classification of out-of-date products and products fit for continuing sales from Maxigen Biotech Inc. and its subsidiaries were appropriate, and conducted assessment on the reasonableness of the calculation of the loss from recording inventory's allowance for devaluation for out-of-date products. We tested for the source of the net cash value of the products for continuing sales and conducted sampling of the prices for the most recent sales. For allowance for devaluation of inventory, we compared against the Company's historical experiences; and also undertook random inspection and re-calculation to test for the accuracy of the inventory valuation from the management.

For subsequent rating on the accounting policy for inventory from Maxigen Biotech Inc., please see Note 4. For explanations on material accounting judgment and estimation of uncertainty, please see Note 5, and for relevant statement and disclosure, please see Note 9.

Revenue recognition

When Maxigen Biotech Inc. sells products, revenue is recognized when the customer obtains control over the products and contract performance conditions are satisfied. Sales are concentrated to the top 10 customers which account for approximately 59% of revenue. Since the client base is narrow and operating revenue from this client base poses material impact on the overall individual financial statements, this has been classified as a key verification item.

For accounting policy regarding revenue recognition from Maxigen Biotech Inc., please see Note 4.

The CPAs understood and tested for the design and implementation of the revenue recognition accounting policy and internal control, and inspected the contracts from Maxigen Biotech Inc. with the Company's top 10 clients to ensure whether accounting procedures and accounting policies for revenue recognition are in line. And we conducted analysis to prove whether revenue recognition

conditions fully match with the requirement of accounting policies, and whether the time frame for revenue recognition is appropriate, based on historical experiences and recent sales conditions.

The responsibility of the management and governance units for the Individual Financial Statements

To ensure that the Individual Financial Statements do not contain material misstatements caused by fraud or error, the management is responsible for preparing prudent Individual Financial Statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and to prepare and maintain necessary internal control procedures pertaining to the Individual Financial Statements.

In preparing the Individual Financial Statements, the responsibility of management includes the assessment of the sustainability of Maxigen Biotech Inc., disclosure of related matters and the adoption of a going-concern accounting basis, unless the management intends to liquidate Maxigen Biotech Inc., terminate the business, or there is no practicable measure other than liquidation or termination of the business can be taken.

The governance units (including supervisors) of Maxigen Biotech Inc. have the responsibility of supervising its financial reporting procedures.

Responsibilities of the CPAs in auditing the Individual Financial Statements

The purpose of the CPAs' audit of the Individual Financial Statements is to obtain reasonable assurance for whether the Statements contain material misstatement due to fraud or error, and to provide an auditing report. "Reasonable assurance" refers to high levels of credibility; nevertheless, our auditing work carried out according to GAAP may not guarantee that material misstatement will be detected within the Individual Financial Statements. Misstatement could be caused by fraud or error. If it could be reasonably anticipated that the misstated individual amounts or aggregated sum could have influence over the economic decisions made by the users of the Individual Financial Statements, it will be deemed as material.

The CPA has utilized their professional judgment and maintained professional doubt when conducting audit according to GAAP. The CPAs have also implemented the following procedures:

1. Identified and evaluated the risk of material misstatement due to fraud or error in the Individual Financial Statements; designed and carried out appropriate countermeasures for the evaluated risks; and obtained sufficient and appropriate evidence as the basis for their audit opinion. The risk of fraud is likely to involve collusion, forgery, deliberate omission, false declaration or transcend internal control, so the risk of improper expression of fraud is not higher than that caused by the wrong person.
2. Obtained necessary knowledge about the internal control mechanism that is closely related to

auditing work and designed the appropriate audit procedure without the intention to express any opinion about the effectiveness of the internal control of Maxigen Biotech Inc.

3. Evaluated the appropriateness of the accounting policies adopted by the management and the reasonableness of its accounting work and relevant disclosures.
4. Based on the audit evidence established, concluded on the appropriateness for the management to continue to adopt the same accounting basis and whether there was any significant doubt about the capacity of Maxigen Biotech Inc. to remain in operation or whether there were any significant uncertainty regarding its conditions. If the CPAs are of the opinion that material uncertainty exists within these matters or conditions, the CPAs shall remind the users of the Individual Financial Statements to pay attention to relevant disclosure in the Statements in their audit report, or to revise the audit opinion when such disclosure is inappropriate. The CPAs' conclusion is based on the auditing evidence obtained up to the date of the audit report. Nevertheless, future events or situations may lead to loss of operation of Maxigen Biotech Inc.
5. Evaluate the overall expression, structure and contents of the Individual Financial Statements (including relevant Notes), and whether the Individual Financial Statements fairly present relevant transactions and items.
6. Obtain sufficient and appropriate auditing evidence for Maxigen Biotech Inc.'s internal formation of its individual financial information and express opinion on its Individual Financial Statements. The CPAs were responsible for guiding, supervising and executing the audit work for Maxigen Biotech Inc. and also establishing the auditor's opinion.

The CPAs' communications with the governance units include the planned auditing scope and timeframe and material auditing findings (including significant defects identified in the internal control during auditing procedures).

We have also provided the statement pertaining to our accounting firm's personnel under governance of independence to the governance unit, and communicated with governance unit over relations and other items (including relevant protective measures) that could affect the CPA's independence.

In the communications between us and the company's governing body, we have determined the key audit items from 2018 Individual Financial Statements of Maxigen Biotech Inc. The CPAs have clearly indicated such matters in the audit report. Unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where the CPAs decided not to communicate specific items in the audit report where it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Deloitte & Touche Taiwan

Shu-Lin Liu, CPA

Wen-Ya Hsu, CPA

Approval No. from Financial Supervisory

Commission in R.O.C.

FSC No. 1050024633

Approval No. from the Securities and Futures

Commission

Tai-Cai-Zheng-6 No. 0920123784

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Maxigen Biotech Inc.
Individual Balance Sheet
December 31, 2018 and 2017

Unit: NT\$1,000

Code	Asset	December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 and 6)	\$ 170,115	15	\$ 168,619	15
1150	Notes receivable (Note 4 and 8)	23,612	2	24,563	2
1170	Accounts receivable (Note 4, 5, and 8)	53,728	5	98,789	9
1180	Accounts receivable - related parties (Notes 4, 8, and 27)	22,047	2	14,955	2
1200	Other receivables (Note 4 and 8)	39	-	33,710	3
130X	Inventory (Note 4, 5, and 9)	81,727	7	92,688	9
1476	Other financial assets - current (Note 7)	232,254	20	123,048	11
1479	Other current assets (Note 11)	10,879	1	12,229	1
11XX	Total current assets	<u>594,401</u>	<u>52</u>	<u>568,601</u>	<u>52</u>
	Non-current assets				
1550	Investment in equity method (Note 4, 10 and 16)	6,521	1	4,918	-
1600	Property, plant and equipment (Note 4, 12, and 28)	494,029	44	502,047	46
1760	Net real estate investment (Note 4 and 13)	8,952	1	8,983	1
1780	Intangible assets (Note 4 and 14)	2,585	-	2,714	-
1840	Deferred income tax assets (Note 4 and 22)	1,199	-	1,093	-
1920	Refundable guarantee deposits	738	-	1,672	-
1975	Net defined benefit assets (Note 4 and 18)	2,773	-	2,269	-
1990	Other non-current assets (Note 11)	25,603	2	11,771	1
15XX	Total non-current assets	<u>542,400</u>	<u>48</u>	<u>535,467</u>	<u>48</u>
1XXX	Total assets	<u>\$ 1,136,801</u>	<u>100</u>	<u>\$ 1,104,068</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2170	Bills and accounts payable (Note 15 and 27)	\$ 30,859	3	\$ 40,859	4
2200	Other payables (Note 16)	44,478	4	36,476	3
2320	Long-term liabilities due within one year or one operating cycle (Note 17)	-	-	1,636	-
2325	Liabilities from preferred shares - current (Note 19)	213,135	19	-	-
2399	Other current liabilities (Note 16)	2,829	-	3,862	1
21XX	Total current liabilities	<u>291,301</u>	<u>26</u>	<u>82,833</u>	<u>8</u>
	Non-current liabilities				
2540	Long-term loans (Note 17)	-	-	13,242	1
2635	Liabilities from preferred shares - non-current (Note 19)	-	-	211,413	19
2645	Guarantee deposits received	89	-	89	-
2670	Other non-current liabilities (Note 4, 10, and 16)	2,432	-	238	-
25XX	Total non-current liabilities	<u>2,521</u>	<u>-</u>	<u>224,982</u>	<u>20</u>
2XXX	Total liabilities	<u>293,822</u>	<u>26</u>	<u>307,815</u>	<u>28</u>
	Equity (Note 20)				
	Capital				
3110	Common shares	<u>708,470</u>	<u>62</u>	<u>708,470</u>	<u>64</u>
	Capital reserve				
3210	Capital reserve - share premium	100,044	9	100,044	9
3271	Capital reserve - employee share options	1,660	-	1,660	-
3272	Capital reserve - convertible bonds	6,801	1	6,801	1
3200	Total capital reserve	<u>108,505</u>	<u>10</u>	<u>108,505</u>	<u>10</u>
	Retained earnings				
3310	Statutory surplus reserve	1,579	-	-	-
3320	Special surplus reserve	3,124	-	-	-
3350	Undistributed earnings	57,523	5	15,546	1
3300	Total retained earnings	<u>62,226</u>	<u>5</u>	<u>15,546</u>	<u>1</u>
3410	Conversion difference of financial statements of foreign operations	(3,078)	-	(3,124)	-
3500	Treasury shares	(33,144)	(3)	(33,144)	(3)
3XXX	Total equity	<u>842,979</u>	<u>74</u>	<u>796,253</u>	<u>72</u>
	Total liabilities and equity	<u>\$ 1,136,801</u>	<u>100</u>	<u>\$ 1,104,068</u>	<u>100</u>

The attached Notes are parts of this set of Individual Financial Statements.

Chairman: Li-Teh Hsu

Manager: Song-Ching Chen

Accounting Manager: I-Hua Yu

Individual Statement of Comprehensive Income of Maxigen Biotech Inc. from January 1 to
December 31, 2018 and 2017

Unit: NT\$1,000 (except earnings per share)

Code		2018		2017	
		Amount	%	Amount	%
	Operating revenue (Note 4 and 27)				
4100	Sales revenue	\$ 409,205	96	\$ 409,951	97
4800	Other operating revenue	<u>16,526</u>	<u>4</u>	<u>13,712</u>	<u>3</u>
4000	Total operating revenue	<u>\$ 425,731</u>	100	423,663	100
	Operating costs (Note 9, 18, 21 and 27)				
5110	Cost of goods sold	<u>\$ 246,536</u>	<u>58</u>	<u>265,397</u>	<u>63</u>
5900	Gross profit	179,195	42	158,266	37
5910	Unrealized sales profit with subsidiaries	(29)	-	(421)	-
5920	Realized sales profit with subsidiaries	<u>421</u>	<u>-</u>	<u>2,156</u>	<u>1</u>
5950	Realized operating gross profit	<u>179,587</u>	<u>42</u>	<u>160,001</u>	<u>38</u>
	Operating expenses (Note 18 and 21)				
6100	Marketing expenses	37,463	9	39,724	10
6200	Administrative expenses	44,299	10	42,651	10
6300	R&D expenses	50,672	12	43,310	10
6450	Expected credit impairment losses	<u>233</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total operating expenses	<u>132,667</u>	<u>31</u>	<u>125,685</u>	<u>30</u>
6900	Operating profit	<u>46,920</u>	<u>11</u>	<u>34,316</u>	<u>8</u>
	Non-operating income and expenses (Note 10 and 21)				
7010	Other revenue	3,889	1	1,899	1
7020	Other gains and losses	11,163	3	(3,211)	(1)

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Code		2018		2017	
		Amount	%	Amount	%
7050	Finance costs	(\$ 4,016)	(1)	(\$ 4,117)	(1)
7070	Amount of gain/losses from subsidiaries from adoption of equity method	(1,029)	-	(12,192)	(3)
7000	Total non-operating income and expenses	10,007	3	(17,621)	(4)
7900	Pre-tax profit	56,927	14	16,695	4
7950	Income tax benefits (expenses) (Note 4 and 22)	128	-	(908)	-
8200	Net income	57,055	14	15,787	4
	Other comprehensive income/loss (Note 18 and 20)				
	Items that will not be reclassified to profit or loss				
8311	Remeasurements of defined benefit plans	468	-	(241)	-
	Items that may be reclassified to profit or loss				
8361	Conversion difference of financial statements of foreign operations	46	-	(672)	-
8300	Total other comprehensive income for the current period	514	-	(913)	-
8500	Total comprehensive income (loss) for the period	\$ 57,569	14	\$ 14,874	4
8610	Net profit attributable to: Owners of the Company	\$ 57,055	14	\$ 15,787	4
8710	Total comprehensive income (loss) attributable to: Owners of the Company	\$ 57,569	14	\$ 14,874	4
	Earnings per share (Note 23) from continuing business				
9750	Basic	\$ 0.82		\$ 0.23	
9850	Diluted	\$ 0.78		\$ 0.23	

The attached Notes are parts of this set of Individual Financial Statements.

Chairman: Li-Teh Hsu

Manager: Song-Ching Chen

Accounting Manager: I-Hua Yu

Individual Statement of Changes in Equity of Maxigen Biotech Inc. from January 1 to December 31, 2018 and 2017

Unit: NT\$1,000

		Capital reserve				Retained earnings			Other equity		
					Preferred shares				Conversion		
Code		Ordinary shares	Issue premium	Share option	Conversion option	Statutory surplus reserve	Special surplus reserve	Undistributed earnings	difference of financial statements of foreign operations	Treasury shares	Total equity
A1	Balance as of January 1, 2017	\$ 708,470	\$ 112,535	\$ 1,660	\$ 6,801	\$ -	\$ -	(\$ 12,491)	(\$ 2,452)	(\$ 33,144)	\$ 781,379
D1	Net profit in 2017	-	-	-	-	-	-	15,787	-	-	15,787
D3	Other comprehensive profit/loss in 2017	-	-	-	-	-	-	(241)	(672)	-	(913)
C11	Compensation for deficit from paid-up capital reserve	-	(12,491)	-	-	-	-	12,491	-	-	-
Z1	Balance as of December 31, 2017	708,470	100,044	1,660	6,801	-	-	15,546	(3,124)	(33,144)	796,253
B1	Surplus allocation and distribution in 2017 Appropriation for statutory surplus reserve	-	-	-	-	1,579	-	(1,579)	-	-	-
B3	Appropriation for special surplus reserve	-	-	-	-	-	3,124	(3,124)	-	-	-
B5	Cash dividends for common shares	-	-	-	-	-	-	(10,443)	-	-	(10,443)
B7	Cash dividends for preferred shares	-	-	-	-	-	-	(400)	-	-	(400)
D1	2018 net profit	-	-	-	-	-	-	57,055	-	-	57,055
D3	Other comprehensive profit/loss in 2018	-	-	-	-	-	-	468	46	-	514
Z1	Balance as of December 31, 2018	\$ 708,470	\$ 100,044	\$ 1,660	\$ 6,801	\$ 1,579	\$ 3,124	\$ 57,523	(\$ 3,078)	(\$ 33,144)	\$ 842,979

The attached Notes are parts of this set of Individual Financial Statements.

Chairman: Li-Teh Hsu

Manager: Song-Ching Chen

Accounting Manager: I-Hua Yu

Maxigen Biotech Inc.
Individual Statement of Cash Flow
January 1 to December 31, 2018 and 2017

Unit: NT\$1,000

Code		2018	2017
	Net cash flow from operating activities		
A10000	Current net profit before tax	\$ 56,927	\$ 16,695
A20000	Income and expense items:		
A20100	Depreciation expense (including depreciation of real estate investment)	25,448	22,985
A20200	Amortization expense	798	1,457
A20300	Expected credit impairment losses	233	62
A20400	Net gains on financial assets and liabilities at fair value through profit and loss	-	(1,526)
A20900	Finance costs	4,016	4,117
A21200	Interest income	(3,455)	(1,476)
A22400	Amount of gain/losses from subsidiary from adoption of equity method	1,029	12,192
A22500	Loss on disposal of property, plant and equipment	260	1
A23900	Unrealized sales profit with subsidiaries	29	421
A24000	Realized sales profit with subsidiaries	(421)	(2,156)
A30000	Net changes in working capital assets and liabilities		
A31110	Financial assets at fair value through profit or loss	-	57,986
A31130	Notes receivable	951	3,537
A31150	Accounts receivable	44,828	(28,856)
A31160	Accounts receivable - related parties	(7,092)	9,361
A31180	Other receivables	33,671	(33,663)
A31200	Inventory	10,961	(5,934)
A31230	Net defined benefit assets	(36)	(37)
A31240	Other current assets	1,563	1,906
A32150	Notes and accounts payable	(10,000)	7,279
A32180	Other payables	7,754	(199)
A32230	Other current liabilities	(1,033)	(6,258)
A33000	Cash inflow from operating activities	166,431	57,894
A33100	Interest received	3,455	1,476

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Code		2018	2017
A33300	Interest paid	(\$ 149)	(\$ 281)
A33500	Income tax received (paid)	(191)	317
AAAA	Net cash inflow from operating activities	<u>169,546</u>	<u>59,406</u>
	Cash flow from investing activities		
B01800	Acquisition of the investment using equity method	-	(5,000)
B06500	Increase of other financial assets	(385,338)	(153,938)
B06600	Decrease in other financial assets	276,132	232,490
B02700	Acquisition of property, plant and equipment	(19,556)	(28,704)
B02800	Disposal of property, plant and equipment	-	4
B04500	Intangible assets acquired	(669)	-
B03700	Increase in guarantee deposits paid	(9)	(10)
B03800	Decrease in guarantee deposits paid	943	500
B06700	Increase in other non-current assets	(13,832)	(10,250)
BBBB	Net cash inflow (outflow) from investing activities	<u>(142,329)</u>	<u>35,092</u>
	Cash flow from financing activities		
C04500	Distribution of cash dividends	(10,843)	-
C01700	Repayment of long-term loans	(14,878)	(1,606)
C03100	Decrease in guarantee deposits received	-	(3,770)
C03000	Increase in guarantee deposits received	-	100
CCCC	Net cash outflow from financing activities	<u>(25,721)</u>	<u>(5,276)</u>
EEEE	Net increase in cash and cash equivalents	1,496	89,222
E00100	Cash and cash equivalents at the beginning of year	<u>168,619</u>	<u>79,397</u>
E00200	Cash and cash equivalents at the end of year	<u>\$ 170,115</u>	<u>\$ 168,619</u>

The attached Notes are parts of this set of Individual Financial Statements.

Chairman: Li-Teh Hsu

Manager: Song-Ching Chen

Accounting Manager: I-Hua Yu

Maxigen Biotech Inc.

Comparison Table of the Articles of Association before and after the Amendments

Sequence Number of the Article	Articles After Amendment	Current Articles	Description
Article 7-1	<p><u>The Company's treasury shares purchased in accordance with the Company Act shall be transferred to recipients that include employees of controlling or subordinate companies that meet the criteria.</u></p> <p><u>The Company's employee share option certificates are issued to recipients that include employees of controlling or subordinate companies that meet the criteria.</u></p> <p><u>When the Company issues new shares, the employees eligible for share subscription shall include employees of controlling or subordinate companies that meet the criteria.</u></p> <p><u>The recipients of restricted employee shares issued by the Company include employees of controlling or subordinate companies that meet the criteria.</u></p>		Pursuant to Article 167-1, Paragraph 4; Article 167-2, Paragraph 3; and Article 267, Paragraph 7 and Paragraph 11 of the Company Act, the Articles of Incorporation shall specify that eligible employees include employees of controlled or subsidiary companies that meet certain criteria.
Article	The Articles were first established on November	The Articles were first established on November	Added the

Sequence Number of the Article	Articles After Amendment	Current Articles	Description
21	<p>27, 1998.</p> <p>The first amendment was on May 2, 2000.</p> <p>The second amendment was on August 31, 2001.</p> <p>The third amendment was on July 29, 2002.</p> <p>The fourth amendment was on May 3, 2003.</p> <p>The fifth amendment was on September 25, 2003.</p> <p>The sixth amendment was on May 18, 2004.</p> <p>The seventh amendment was on June 24, 2005.</p> <p>The eighth amendment was on June 29, 2006.</p> <p>The ninth amendment was on January 19, 2007.</p> <p>The tenth amendment was on June 29, 2007.</p> <p>The eleventh amendment was on June 23, 2008.</p> <p>The twelfth amendment was on June 28, 2010.</p> <p>The thirteenth amendment was on May 25, 2011.</p> <p>The fourteenth amendment was on June 7, 2012.</p> <p>The fifteenth amendment was on June 22, 2015.</p> <p>The sixteenth amendment was on December 25, 2015.</p> <p>The seventeenth amendment was on June 24, 2016.</p> <p>The eighteenth amendment was on June 26, 2017.</p> <p>The nineteenth amendment was on June 26, 2018.</p>	<p>27, 1998.</p> <p>The first amendment was on May 2, 2000.</p> <p>The second amendment was on August 31, 2001.</p> <p>The third amendment was on July 29, 2002.</p> <p>The fourth amendment was on May 3, 2003.</p> <p>The fifth amendment was on September 25, 2003.</p> <p>The sixth amendment was on May 18, 2004.</p> <p>The seventh amendment was on June 24, 2005.</p> <p>The eighth amendment was on June 29, 2006.</p> <p>The ninth amendment was on January 19, 2007.</p> <p>The tenth amendment was on June 29, 2007.</p> <p>The eleventh amendment was on June 23, 2008.</p> <p>The twelfth amendment was on June 28, 2010.</p> <p>The thirteenth amendment was on May 25, 2011.</p> <p>The fourteenth amendment was on June 7, 2012.</p> <p>The fifteenth amendment was on June 22, 2015.</p> <p>The sixteenth amendment was on December 25, 2015.</p> <p>The seventeenth amendment was on June 24, 2016.</p> <p>The eighteenth amendment was on June 26, 2017.</p> <p>The nineteenth amendment was on June 26, 2018.</p>	amendment date.

Sequence Number of the Article	Articles After Amendment	Current Articles	Description
	<u>The twentieth amendment was on June 26, 2019.</u>		

Maxigen Biotech Inc.

Table of Comparison of Revised Articles of the Company's Procedures for Acquisition or Disposal of Assets

Sequence Number of the Article	Articles After Amendment	Current Articles	Description
Article 3	<p>Scope of assets</p> <p>The scope of assets specified in the Procedures include the followings:</p> <p>I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>II. Real estate (including land, houses and buildings, real estate investment, inventory in construction business) and equipment.</p> <p>III. Memberships.</p> <p>IV. Patents, copyrights, trademarks, franchise rights and other intangible assets.</p> <p>V. <u>Right-of-use assets.</u></p> <p>VI. Claims of financial institutions (including receivables, bills purchased and discounted and loans, and receivables on demand).</p> <p>VII. Derivatives.</p> <p>VIII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or</p>	<p>Scope of assets</p> <p>The scope of assets specified in the Procedures include the followings:</p> <p>I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>II. Real property (including land, houses and buildings, real estate investment, land usage rights, inventory in construction business) and equipment.</p> <p>III. Memberships.</p> <p>IV. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p>V. Claims of financial institutions (including receivables, bills purchased and discounted and loans, and receivables on demand).</p> <p>VI. Derivatives.</p>	<p>I. Subparagraph 5 is added in accordance with the amendments to IFRS 16 "Leases" to expand the scope of the right-of-use assets. The land use right in the existing Subparagraph 2 is incorporated into Subparagraph 5.</p> <p>II. The existing Subparagraphs 5 to 8 are transferred to Subparagraph 6 to 9.</p>

Sequence Number of the Article	Articles After Amendment	Current Articles	Description
	transfer of shares in accordance with law. IX. Other major assets.	VII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law. VIII. Other major assets.	
Article 4	<p>"Definitions of relevant terms"</p> <p>I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p> <p>II. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Enterprises Mergers and Acquisitions</p>	<p>"Definitions of relevant terms"</p> <p>I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p> <p>II. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Enterprises Mergers and Acquisitions Act, Financial Holding Company Act,</p>	<p>I. The scope of derivative products in Subparagraph 1 is revised in accordance with definitions provided in IFRS 9 "Financial instruments". Wording is also revised.</p> <p>II. The amended articles of the Company Act promulgated on August 1, 2018 were implemented on November 1, 2018. The "Article 156, Paragraph 8" specified in Subparagraph 2 is therefore amended</p>

Sequence Number of the Article	Articles After Amendment	Current Articles	Description
	<p>Act, Financial Holding Company Act, Financial Institutions Merger Act and other laws, or to transfer of shares from another company through issuance of new shares of its own as the consideration (hereinafter "transfer of shares") under Article 156-3 of the Company Act.</p> <p>III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of board meeting resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investor for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p> <p>VI. Investment in mainland China: Refers to investments in mainland China approved by</p>	<p>Financial Institutions Merger Act and other laws, or to transfer of shares from another company through issuance of new shares of its own as the consideration (hereinafter "transfer of shares") under Article 156, Paragraph 8 of the Company Act.</p> <p>III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of board meeting resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investor for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p>	<p>to "Article 156-3" based on the amended article number.</p> <p>III. The Company will also consider the securities investment expertise of futures commission merchants operating proprietary trading business, securities investment trust enterprises, and securities investment consulting enterprises which may often conduct transactions in securities due to hedging requirements or demand for proprietary fund usage and include them into the scope of investment</p>

Sequence Number of the Article	Articles After Amendment	Current Articles	Description
	<p>the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p> <p>VII. <u>Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</u></p> <p>VIII. <u>Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange that is regulated by the competent securities authorities of the jurisdiction where it is located.</u></p> <p>IX. <u>Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the</u></p>	<p>VI. Investment in mainland China: Refers to investments in mainland China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p>	<p>professionals. To simplify regulations, Point 5 of the supplementary provisions provided in the Tai-Cai-Zheng-1 No. 0920001151 Order issued by the Securities and Futures Administration Commission on March 21, 2003 was included into the Procedures. Article 3 of the Regulations Governing Offshore Structured Products regarding the scope of professional institutional investors was also referenced. Subparagraph 7 was added to clarify the scope of investment</p>

Sequence Number of the Article	Articles After Amendment	Current Articles	Description
	<u>Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and permitted to conduct securities business.</u>		professionals and abolish the aforementioned order. IV. To clearly define domestic and international securities exchange and over-the-counter venue to facilitate the compliance by the Company, the Company referenced Article 5 of the Regulations Governing Securities Firms Accepting Orders to Trade Foreign Securities and Article 2 of the Regulations Governing Securities Trading on the Taipei Exchange and added Subparagraph 8 and Subparagraph 9 to specify the

Sequence Number of the Article	Articles After Amendment	Current Articles	Description
			scope of local and overseas securities exchange and the securities exchange businesses.
Article 5	<p>The appraisal reports or the opinions are obtained from certified public accountants, attorneys or securities underwriters. Such professional appraisers and their officers, certified public accountants, attorneys or securities underwriter shall meet the following requirements:</p> <p><u>I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or business-related crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u></p> <p><u>II. May not be a related party or de facto related party of any party to the transaction.</u></p>	<p>The appraisal reports or the opinions are obtained from certified public accountants, attorneys or securities underwriters. Such professional appraisers and their officers, certified public accountants, attorneys or securities underwriter shall not be a related party of the Company.</p>	<p>I. To simplify regulations, Point 4 of the supplementary provisions regarding public companies' engagement of professional appraisers and appraisal personnel, accountants, attorneys, or securities underwriters provided in the Tai-Cai-Zheng-1 No. 0920001151 Order issued by the Securities and Futures Administration Commission on March 21, 2003</p>

Sequence Number of the Article	Articles After Amendment	Current Articles	Description
	<p><u>III. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u></p> <p><u>The aforementioned personnel shall meet the following criteria when issuing an appraisal report or opinion:</u></p> <p><u>I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience and independence.</u></p> <p><u>II. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></p> <p><u>III. They shall undertake an item-by-item evaluation of the completeness, accuracy and reasonableness of the sources of data, the parameters and the information used, as the basis for issuance of the appraisal report or the opinion.</u></p>		<p>were included in the Procedures. Article 53, Subparagraph 4 of the Securities and Exchange Act regarding the negative qualifications of directors, supervisors, and managerial officers and Article 8, Paragraph 1, Subparagraph 15 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers regarding the ethical principles of issuers or their persons in charge were also referenced. Paragraph 1, Subparagraph 1 to</p>

Sequence Number of the Article	Articles After Amendment	Current Articles	Description
	<p>IV. <u>They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u></p>		<p>Subparagraph 3 were added to expressly clarify the negative qualifications of related experts and abolish the aforementioned order.</p> <p>II. Clarified the responsibilities of external experts and added Paragraph 2 in accordance with Article 9 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers regarding relevant evaluations, audits and statements for CPAs' appraisal reports for investment property in order to set out</p>

Sequence Number of the Article	Articles After Amendment	Current Articles	Description
			the evaluations, audits and statements for appraisal reports or opinions provided by related experts.
Article 7	<p>Restrictions on the total amount of real property and right-of-use assets thereof for non-business use, or securities</p> <p>I. The restrictions on the total amount of real property and right-of-use assets thereof for non-business use, or securities acquired by the Company are as follows:</p> <p>(I) The total amount of real property and right-of-use assets thereof acquired by the Company for non-business use may not exceed 40% of the Company's paid-up capital.</p> <p>(II) The maximum amount of investment in securities may not exceed 80% of the Company's paid-up capital or net value in the Company's latest financial statements (whichever is higher).</p> <p>(III) The maximum amount of investment in individual securities may not exceed 50% of the net value in the Company's paid-up capital or latest financial</p>	<p>Restrictions on the total amount of real property for non-business use or securities acquired by the Company</p> <p>I. The restrictions on the total amount of real property for non-business use and securities acquired by the Company are as follows:</p> <p>(I) Purchase of real property for non-business use may not exceed 40% of the paid-up capital of the Company.</p> <p>(II) The maximum amount of investment in securities may not exceed 80% of the Company's paid-up capital or net value in the Company's latest financial statements (whichever is higher).</p> <p>(III) The maximum amount of investment in individual securities may not exceed 50% of the net value in the Company's paid-up capital or latest financial statements</p>	<p>III. Amended in accordance with IFRS 16 "Leases. The real property right-of-use assets for non-business use are included into the scope governed by the Company's Procedures regarding the restrictions on the amount.</p>

Sequence Number of the Article	Articles After Amendment	Current Articles	Description
	<p>statements (whichever is higher).</p> <p>II. The restrictions on the total amount of real property and right-of-use assets thereof which are for non-business use, or securities acquired by the Company's subsidiaries are as follows:</p> <p>(I) The total amount of real property and right-of-use assets thereof acquired by each subsidiary for non-business use may not exceed 20% of the subsidiary's paid-up capital.</p> <p>(II) The maximum amount of investment in securities may not exceed the subsidiary's paid-up capital or net value in the latest financial statements (whichever is higher).</p> <p>(III) The maximum amount of investment in individual securities may not exceed the net value of the subsidiary's paid-up capital or latest financial statements (whichever is higher).</p>	<p>(whichever is higher).</p> <p>II. The restrictions on the total amount of real property for non-business use or securities acquired by the Company's subsidiaries are as follows:</p> <p>(I) The total amount of real property and right-of-use assets thereof acquired by each subsidiary for non-business use may not exceed 20% of the subsidiary's paid-up capital.</p> <p>(II) The maximum amount of investment in securities may not exceed the subsidiary's paid-up capital or net value in the latest financial statements (whichever is higher).</p> <p>(III) The maximum amount of investment in individual securities may not exceed the net value of the subsidiary's paid-up capital or latest financial statements (whichever is higher).</p>	
Article 9	<p>Evaluation and operating procedures for the acquisition or disposal of real property, equipment or the right-of-use assets thereof</p> <p>I. Regarding the price determination methodology and supporting reference</p>	<p>Evaluation and operating procedures for the acquisition or disposal of real property or equipment</p> <p>I. The price determination methodology and supporting reference materials in</p>	<p>I. The government authorities specified in Paragraph 1 refer to central and local government</p>

Sequence Number of the Article	Articles After Amendment	Current Articles	Description
	<p>materials in acquiring or disposing of real property, equipment, or right-of-use assets thereof, the original user unit or related authorized unit shall submit a proposal with explanations to the asset management unit to process through price comparison, price negotiation, or tendering in accordance with the publicly announced current value, appraised value, actual transaction prices of nearby real property, and transaction prices of similar assets in recent periods.</p> <p>II. Appointment of experts to provide appraisal report: In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, the Company shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p>	<p>acquiring or disposing of real property or equipment, the original user unit or related authorized unit shall submit a proposal with explanations to the asset management unit to process through price comparison, price negotiation, or tendering in accordance with the publicly announced current value, appraised value, actual transaction prices of nearby real property, and transaction prices of similar assets in recent periods.</p> <p>II. Appointment of experts to provide appraisal report: In acquiring or disposing of real property or equipment where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment held for business use, the Company shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p>	<p>authorities of the Republic of China. As transactions with such entities require tenders and price competition in accordance with related regulations and the possibilities of price manipulation is low, expert opinions may be waived in such cases. As for transactions with foreign government entities, as related regulations and price negotiation mechanisms are unclear, they are not included in the exemption in this article. Paragraph 1 is therefore amended to include only domestic government authorities.</p>

Sequence Number of the Article	Articles After Amendment	Current Articles	Description
	<p>(I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</p> <p>(II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC</p>	<p>(I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed for any future change to the terms and conditions of the transaction.</p> <p>(II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in</p>	<p>II. Right-of-use assets are included into the scope of this Article in accordance with IFRS 16 "Leases".</p>

Sequence Number of the Article	Articles After Amendment	Current Articles	Description
	<p>Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> 1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount. 2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount. <p>(IV) No more than three months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original professional appraiser. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be used as a substitute for the appraisal</p>	<p>accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> 1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount. 2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount. <p>(IV) No more than three months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still</p>	

Sequence Number of the Article	Articles After Amendment	Current Articles	Description
	<p>report.</p> <p>III. Degree and levels of authority delegated The Company's acquisition or disposal of real property, equipment or right-of-use assets thereof with a transaction amount of below NT\$50 million (inclusive) shall be submitted for approval in accordance with required level in the authorization approval table; where the transaction amount exceeds NT\$50 million, the approval of the Board of Directors shall be required.</p> <p>IV. Execution unit The Company's execution units responsible for the acquisition and disposal of real property, equipment or right-of-use assets are the usage units and related authorized units.</p> <p>V. Transaction procedures The Company's acquisition or disposal of real property, equipment, or right-of-use assets thereof shall be processed in accordance with the requirements of related operation in the fixed asset cycle in the Company's internal control system.</p>	<p>be issued by the original professional appraiser. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be used as a substitute for the appraisal report.</p> <p>III. Degree and levels of authority delegated The Company's acquisition or disposal of real property or equipment with a transaction amount of below NT\$50 million (inclusive) shall be submitted for approval in accordance with required level in the authorization approval table; where the transaction amount exceeds NT\$50 million, the approval of the Board of Directors shall be required.</p> <p>IV. Execution unit The Company's execution units responsible for the acquisition and disposal of real property or equipment are the usage units and related authorized units.</p> <p>V. Transaction procedures The Company's acquisition or disposal</p>	

Sequence Number of the Article	Articles After Amendment	Current Articles	Description
		of real property, equipment, or right-of-use assets thereof shall be processed in accordance with the requirements of related operation in the fixed asset cycle in the Company's internal control system.	
Article 10	<p>Evaluation and operating procedures for related-party transactions</p> <p>When engaged in the acquisition or disposal of assets from or to a related party, the Company shall, in accordance with the regulations stipulated in the preceding article and below, complete the relevant resolution procedures and appraisal of the reasonableness of the transaction terms. If the transaction amount reaches 10% of the company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in accordance with the provisions of the preceding article. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p>I. When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other</p>	<p>Evaluation and operating procedures for related-party transactions</p> <p>When engaged in the acquisition or disposal of assets from or to a related party, the Company shall, in accordance with the regulations stipulated in the preceding article and below, complete the relevant resolution procedures and appraisal of the reasonableness of the transaction terms. If the transaction amount reaches 10% of the company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in accordance with the provisions of the preceding section. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p>I. When the Company intends to acquire or dispose of real estate from or to a related party, or when it intends to acquire or</p>	<p>I. The government bonds defined in Paragraph 1 refer to domestic government bonds as the credit records of the central government and local governments of the Republic of China are clear and can be easily found. Therefore, the approval of the Board of Directors and recognition of supervisors are exempted. However, the credit records of foreign countries vary and are not</p>

Sequence Number of the Article	Articles After Amendment	Current Articles	Description
	<p>than real property or right-of-use assets 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, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the supervisors:</p> <p>(I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(II) The reason for selecting the related party as a transaction counterparty.</p> <p>(III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with</p>	<p>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 and resale agreements, or subscription or repurchase of domestic money market funds issued by securities investment trusts, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the Supervisors:</p> <p>(I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(II) The reason for selecting the related party as a transaction 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 Paragraph 1,</p>	<p>included in the scope of the exemption in this article. The article is amended to include only domestic government bonds. In addition, right-of-use assets are included into the scope of this article in accordance with IFRS 16 "Leases". Paragraph 1 is therefore revised for clarification.</p> <p>II. As the Company, the parent company, subsidiaries, or subsidiaries in which they directly or indirectly hold 100 percent of shares may, for overall business planning, require consolidated centralized</p>

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	<p>Paragraph 1, Subparagraph 2 and Subparagraph 3 of this Article.</p> <p>(IV) The date and price at which the related party originally acquired the assets, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p> <p>(V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(VI) Appraisal report issued by professional appraiser or CPA's opinion obtained.</p> <p>(VII) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>With respect to the acquisition or disposal of equipment or right-of-use assets thereof held for business use between the Company and the parent company, subsidiaries, or between subsidiaries of the Company whose current outstanding shares or total capital are directly or indirectly wholly owned by the Company, the Board of Directors</p>	<p>Subparagraph 2 and Subparagraph 3 of this Article.</p> <p>(IV) The date and price at which the related party originally acquired the assets, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p> <p>(V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(VI) Appraisal report issued by professional appraiser or CPA's opinion obtained.</p> <p>(VII) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>With respect to the acquisition or disposal of equipment held for business use between the Company, parent company, or subsidiaries, the Board of Directors may authorize the Chairman of the board to decide such matters when the transaction is within a certain</p>	<p>purchases or transfer of leased equipment for business use (including sales or sublease) or lease of real property for separate subleases and such transactions are with lower risks, the competent authority relaxed the requirements for the acquisition or disposal of equipment or right-of-use assets thereof for business use or real property right-of-use assets for business use and allows the Board of Directors to authorize the Chairman to perform such tasks before reporting to the</p>

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	<p>may authorize the Chairman of the board to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified in the next Board of Directors meeting.</p> <p>II. Assessment of the reasonableness of the transaction price</p> <p>(I) When the Company acquires real property or right-of-use assets thereof from a related party, it shall evaluate the reasonableness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> 1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property. However, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance. 2. Total loan value appraisal from a financial institution where the 	<p>amount and have the decisions subsequently submitted to and ratified in the next Board of Directors meeting.</p> <p>II. Assessment of the reasonableness of the transaction price</p> <p>(I) When the Company acquires real property from a related party, it shall evaluate the reasonableness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> 1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property. However, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance. 2. Total loan value appraisal from a financial institution where the 	<p>Board of Directors. Such transactions are excluded from regulations regarding the appraisal of the reasonableness of the transaction cost (the transaction price paid by the related party for the acquisition or lease of the real property). In addition, as such transactions have precluded the application of the Article, there is no need for providing evidence of the reasonable of transaction prices in accordance with Paragraph 3 or appropriating special reserve in accordance with</p>

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	<p>related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>(II) Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in (I).</p> <p>(III) Where the Company acquires real property or right-of-use assets thereof from a related party, the Company shall appraise the cost of the real property or right-of-use assets thereof in accordance with the two preceding subparagraphs and engage a CPA to</p>	<p>related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>(II) Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in (I).</p> <p>(III) Where the Company acquires real property from a related party, it shall appraise the cost of the real property in accordance with (I) and (II) and engage a CPA to review the</p>	<p>Paragraph 4. Revised wording.</p> <p>III. Based on the actual operations of real property leases for plants, the regulations on related parties' acquisition of real property right-of-use assets are relaxed to allow the use of lease transactions of non-related parties in nearby areas within one year as reference cases for the calculation and estimation of the reasonableness of the transaction price. Leases were added as transaction case samples.</p>

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	<p>review the appraisal and render an opinion.</p> <p>(IV) Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Paragraph 1, Subparagraph 1 of this Article and provisions in the preceding three paragraphs shall not apply:</p> <ol style="list-style-type: none"> 1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift. 2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction. 3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's 	<p>appraisal and render an opinion.</p> <p>(IV) Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Paragraph 1, Subparagraph 1 of this Article and provisions in (I) to (III) above shall not apply:</p> <ol style="list-style-type: none"> 1. The related party acquired the real property through inheritance or as a gift. 2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction. 3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land. <p>III. Where the results of appraisals conducted</p>	

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	<p>own land or on rented land.</p> <p>4. The real property right-of-use assets for business use are acquired by the Company with the parent company, its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.</p> <p>III. Where the results of appraisals conducted in accordance with (I) and (II) are both lower than the transaction price, the acquisition shall be processed in accordance with Paragraph 1, Subparagraph 4 of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>(I) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>1. Where undeveloped land is appraised in accordance with the means as set out in Subparagraph</p>	<p>in accordance with (I) and (II) are both lower than the transaction price, the acquisition shall be processed in accordance with Paragraph 1, Subparagraph 4 of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>(I) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>1. Where undeveloped land is appraised in accordance with the means as set out in Subparagraph 2, and structures based on the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction</p>	

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	<p>2, and structures based on the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be the average gross operating profit margin of the related party's construction division over the latest 3 years or the latest gross profit margin of the construction industry for the 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 sale or leasing practices.</p> <p>(II) Where the Company acquiring real</p>	<p>profit" shall be the average gross operating profit margin of the related party's construction division over the latest 3 years or the latest gross profit margin of the construction industry 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</u></p>	

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	<p>property or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions involving neighboring or closely valued parcels of land described above in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.</p> <p>IV. Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with Subparagraph 2 and</p>	<p><u>reasonable price discrepancies among floors in accordance with standard property leasing market practices.</u></p> <p>(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 completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions involving neighboring or closely valued parcels of land in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.</p>	

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	<p>Subparagraph 3 are both lower than the transaction price, the following steps shall be taken:</p> <p>(I) The Company shall set aside a special reserve in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act against the difference between the real property or right-of-use asset transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. If an investor assesses its investment in the Company using equity method, he/she shall set aside a special reserve pro rata in a proportion of the share holding under Article 41, Paragraph 1 of the Securities and Exchange Act.</p> <p>(II) The Supervisors shall comply with Article 218 of the Company Act.</p> <p>(III) Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>If the Company has set aside a special reserve</p>	<p>IV. Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Subparagraph 2 and Subparagraph 3 are both lower than the transaction price, the following steps shall be taken:</p> <p>(I) A special reserve shall be set aside in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. If an investor assesses its investment in the Company using equity method, he/she shall set aside a special reserve pro rata in a proportion of the share holding under Article 41, Paragraph 1 of the Securities and Exchange Act.</p> <p>(II) The Supervisors shall comply with Article 218 of the Company Act.</p> <p>(III) Actions taken pursuant to (I) and (II) shall be reported to a</p>	

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	<p>under the preceding paragraph, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction and the FSC has given its consent.</p> <p>V. When the Company acquires real property or right-of-use assets thereof from a related party, it shall also comply with provisions in Subparagraph 4 if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>	<p>shareholders' meeting and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>If the Company has set aside a special reserve in accordance with the preceding regulations, it shall not draw on the reserve unless it has recognized the loss on decline in market value of the assets it purchased at a premium; has disposed of the assets or made adequate compensation; or has restored the status quo ante; or there is other evidence confirming that there was nothing unreasonable about the transaction. Agreement from the FSC is also required.</p> <p>V. When the Company obtains real property from a related party, it shall also comply with provisions in Subparagraph 4 if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>	
Article 11	<p>Evaluation and operating procedures for the acquisition or disposal of intangible assets, right-of-use assets thereof and memberships</p> <p>I. Price determination methodology and supporting reference materials</p> <p>For the acquisition or disposal of intangible</p>	<p>Evaluation and operating procedures for the acquisition or disposal of memberships or intangible assets</p> <p>I. Price determination methodology and supporting reference materials</p> <p>For the acquisition or disposal of</p>	<p>Right-of-use assets are included into the scope of this Article in accordance with IFRS 16 "Leases".</p>

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	<p>assets, right-of-use assets thereof or memberships, the Company shall account for possible future benefits and fair market value of such assets. Where necessary, the Company may consult the opinions of experts and negotiate with transaction counterparties.</p> <p>II. Opinion from Expert</p> <p>(I) Where the acquisition or disposal of a membership reaches 1% or more of the Company's paid-in capital or NT\$3 million, an expert shall be appointed to provide an appraisal report before the date of occurrence.</p> <p>(II) Where the transaction amount of the intangible asset or right-of-use asset thereof acquired or disposed by the Company is 10% or more of the Company's paid-up capital or NT\$50 million or more, an expert shall be appointed to provide an appraisal report before the date of occurrence.</p> <p>(III) Where the transaction amount of the intangible asset, right-of-use asset thereof, or membership acquired or disposed by the Company is 20% or more of the Company's paid-in capital or NT\$300 million or more, except in</p>	<p>memberships or intangible assets, the Company shall account for possible future benefits and fair market value of such assets. Where necessary, the Company may consult the opinions of experts and negotiate with transaction counterparties.</p> <p>II. Appointment of experts to provide opinion</p> <p>(I) Where the acquisition or disposal of a membership reaches 1% or more of the Company's paid-in capital or NT\$3 million, an expert shall be appointed to provide an appraisal report before the date of occurrence.</p> <p>(II) Where the transaction amount of the intangible asset acquired or disposed by the Company is 10% or more of the Company's paid-up capital or NT\$50 million or more, an expert shall be appointed to provide an appraisal report before the date of occurrence.</p> <p>(III) Where the transaction amount of a membership or intangible asset acquired or disposed by the Company is 20% or more of the Company's paid-in capital or</p>	

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	<p>transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the transaction to provide an opinion regarding the reasonableness of the transaction price; the CPA shall comply with the provisions of the Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>III. Degree and levels of authority delegated</p> <p>(I) Acquisition or disposal of memberships with a transaction amount of below NT\$3 million (inclusive) shall require the approval of the Chairman; where the transaction amount exceeds NT\$3 million, the approval of the Board of Directors shall be required.</p> <p>(II) The Company's acquisition or disposal of intangible assets or right-of-use assets thereof with a transaction amount of below NT\$50 million (inclusive) shall require the approval of the Chairman and they shall be reported in the next board meeting; where the transaction amount exceeds NT\$50 million, the approval of the Board of</p>	<p>NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the transaction to provide an opinion regarding the reasonableness of the transaction price; the CPA shall comply with the provisions of the Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>III. Degree and levels of authority delegated</p> <p>(I) Acquisition or disposal of memberships with a transaction amount of below NT\$3 million (inclusive) shall require the approval of the Chairman; where the transaction amount exceeds NT\$3 million, the approval of the Board of Directors shall be required.</p> <p>(II) The Company's acquisition or disposal of intangible assets thereof with a transaction amount of below NT\$50 million (inclusive) shall require the approval of the</p>	

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	<p>Directors shall be required.</p> <p>IV. Execution unit The Company's execution units responsible for the acquisition and disposal of intangible assets, right-of-use assets thereof or memberships are the Finance Department, management units and related authorized units.</p> <p>V. Transaction procedures The Company's acquisition or disposal of intangible assets, right-of-use assets thereof or memberships shall be processed in accordance with the requirements of related procurement and payment cycles in the Company's internal control system.</p>	<p>Chairman and they shall be reported in the next board meeting; where the transaction amount exceeds NT\$50 million, the approval of the Board of Directors shall be required.</p> <p>IV. Execution unit The Company's execution units responsible for the acquisition and disposal of memberships and intangible assets are the Finance Department, management units and related authorized units.</p> <p>V. Transaction procedures The Company's acquisition or disposal of memberships or intangible assets shall be processed in accordance with the requirements of related procurement and payment cycles in the Company's internal control system.</p>	
Article 13	<p>VI. The Company shall establish a log book for its derivative transactions for audit purposes, which shall contain details about the type and amount of the derivative transactions and the date resolved by the Board of Directors. The log book shall also include the "other items to be evaluated" prescribed</p>	<p>VI. The Company shall establish a log book for its derivative transactions for audit purposes, which shall contain details about the type and amount of the derivative transactions and the date resolved by the Board of Directors. The log book shall also include the "other</p>	<p>I. Paragraph 6, Subparagraph 1 was added based on the requirements for implementing audits in Article 15 of the Regulations</p>

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	<p>in Paragraph 1, Subparagraph 4, Item (I), Subparagraph 5, Item (I) 2 and Item (II) 1 of this Article.</p> <p><u>The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit about the level of compliance of derivatives trading by the trading department with the procedures for engaging in derivatives trading and prepare an audit report. If any material violation is discovered, all supervisors and independent directors shall be notified in writing.</u></p>	<p>items to be evaluated" prescribed in Paragraph 1, Subparagraph 4, Item (I), Subparagraph 5, Item (I) 2 and Item (II) 1 of this Article.</p>	<p>Governing the Establishment of Internal Control Systems by Public Companies. It specifies that if the Company has appointed independent directors, it shall notify independent directors if any material violation is discovered.</p>
Article 15	<p>Public announcement and regulatory filing procedures</p> <p>I. Under any of the following circumstances, the Company shall, within 2 days from the date of occurrence of the event, publicly announce and report the relevant information about the acquisition or disposal of assets on the designated website of the Financial Supervisory Commission using the specified format:</p> <p>(I) Acquisition or disposal of real property or right-of-use assets thereof from or to</p>	<p>Public announcement and regulatory filing procedures</p> <p>I. Under any of the following circumstances, the Company shall, within 2 days from the date of occurrence of the event(inclusive), publicly announce and report the relevant information about the acquisition or disposal of assets on the designated website of the Financial Supervisory Commission using the specified format:</p>	<p>I. The government bonds defined in Paragraph 1, Subparagraph 1, and Subparagraph 6, Item 1 refer to domestic government bonds as the credit records of the central government and local governments of</p>

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	<p>a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where 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; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(II) Merger, demerger, acquisition or transfer of shares.</p> <p>(III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>(IV) Where the type of asset acquired or disposed is equipment/machinery or right-of-use assets thereof for business use, the trading counterparty is not a related party, and the transaction amount has reached one of the following conditions:</p>	<p>(I) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>(II) Merger, demerger, acquisition or transfer of shares.</p> <p>(III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>(IV) Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party,</p>	<p>the Republic of China are clear and can be easily found. Therefore, the announcement may be exempted. However, the credit records of foreign countries vary and are not included in the scope of the exemption in this Article. The article is amended to include only domestic government bonds.</p> <p>II. Paragraph 1, Subparagraph 1, Subparagraph 4, Subparagraph 5, and Item (II), and Subparagraph 3 are amended in accordance with IFRS 16 "Leases" to include right-of-use</p>

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	<p>(1) Where a public company's paid-in capital is less than NT\$10 billion and the transaction amount is more than NT\$500 million.</p> <p>(2) Where a public company's paid-in capital is more than NT\$10 billion and the transaction amount is more than NT\$1 billion.</p> <p>(V) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million.</p> <p>(VI) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million; provided,</p>	<p>and the transaction amount has reached one of the following conditions:</p> <p>(1) Where a public company's paid-in capital is less than NT\$10 billion and the transaction amount is more than NT\$500 million.</p> <p>(2) Where a public company's paid-in capital is more than NT\$10 billion and the transaction amount is more than NT\$1 billion.</p> <p>(V) <u>Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is a not related party, and the transaction amount is less than NT\$500 million.</u></p> <p>(VI) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of</p>	<p>assets into the scope.</p> <p>III. As the Company is not a construction business, Paragraph 1, Subparagraph 5 is deleted and Subparagraph 6 and Subparagraph 7 are renumbered Subparagraph 5 and Subparagraph 6.</p> <p>IV. As Paragraph 1, Subparagraph 1 already stipulates the regulations for announcements of related-party transactions and Subparagraph 6 of the same paragraph regulates transactions for non-related parties, to facilitate the compliance, Paragraph 1, Subparagraph 6 is</p>

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	<p>this shall not apply to the following circumstances:</p> <ol style="list-style-type: none"> 1. Trading of domestic government bonds. 2. Securities trading by investment professionals on securities exchanges or over-the-counter venue, subscription and issuance of common corporate bonds (excluding subordinated debt) on the domestic primary market and general financial bonds that do not involve shareholding rights, or securities required for subscription by the Taipei Exchange due to the business requirements of a securities firm or an advisory recommending securities firm of the issuer registered for TPEx trading of Emerging Stock trading. 3. Trading of bonds under repurchase/resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises. <p>The amount of transactions above shall be</p>	<p>ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>(VII) Asset transactions other than the ones specified in the preceding six subparagraphs, disposals of debt entitlement by a financial institution, or investments in Mainland China reach 20% or above of the Company's paid-in capital or NT\$300 million or above; provided, this shall not apply to the following circumstances:</p> <ol style="list-style-type: none"> 1. Trading of government bonds. 2. Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter venue, subscription and issuance of common corporate bonds on the domestic primary market and general financial bonds that do not involve shareholding rights, or securities required for 	<p>amended for clarification.</p> <p>V. Amendment of Paragraph 1, Subparagraph 6, Item 2:</p> <p>(I) As securities transactions conducted by investment professionals in domestic and foreign exchange houses or OTC venues are regular business activities and may result in frequent announcements, such announcements shall be exempted due to materiality concerns for</p>

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	<p>calculated as follows:</p> <p>(1) The amount of any individual transaction.</p> <p>(2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</p> <p>(3) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.</p> <p>(4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>The "within one year" mentioned in the preceding paragraph shall refer to the one year dating back from the date of occurrence of the fact. Amounts that have already been announced in accordance with regulations may be excluded from calculation.</p> <p>II. The Company shall compile monthly reports on the status of derivatives trading engaged</p>	<p>subscription by the Taipei Exchange due to the business requirements of a securities firm or an advisory recommending securities firm of the issuer registered for TPEX trading of Emerging Stock trading.</p> <p>3. Trading of bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <p>(1) The amount of any individual transaction.</p> <p>(2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</p> <p>(3) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and</p>	<p>information disclosure. In addition, the phrase "domestic and foreign" is deleted to maintain consistency of the terms used in the Procedures in which both domestic and foreign subjects or institutions are included.</p> <p>(II) As investment professionals' subscription of regular corporate bonds on foreign primary markets are regular business activities and</p>

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	<p>in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and input into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>III. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and thus it is required to be corrected, all the items shall again be publicly announced and reported in their entirety within two days upon knowledge of its error or omission.</p> <p>IV. When acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions of the certified public accountant, attorney and securities underwriter at the company, where they shall be retained for five years, except where another law provides otherwise.</p> <p>V. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the above, a public report of relevant information shall be made on the information reporting website</p>	<p>disposals, respectively) of real property within the same development project within the preceding year.</p> <p>(4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>The "within one year" mentioned above shall refer to the one year dating back from the date of occurrence of the fact. Amounts that have already been announced in accordance with regulations may be excluded from calculation.</p> <p>II. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and input into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>III. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and</p>	<p>products are relatively simple, domestic securities investment trust enterprises and futures trust enterprises are under the supervision of the FSC, and the subscription or repurchase of raised funds (excluding offshore funds) are regular activities conducted by investment professionals, we therefore relaxed regulations and exempt investment</p>

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	<p>designated by the FSC within 2 days from the date of occurrence of the event(inclusive):</p> <p>(I) Change, termination or rescission of a contract signed in regard to the original transaction.</p> <p>(II) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</p> <p>(III) Change to the originally publicly announced and reported information.</p> <p>VI. Information required to be publicly announced and reported in accordance with this Article on acquisitions or disposals of assets by the Company's subsidiary that is not itself a public company shall be reported by the Company. With regard to the threshold for announcement or reporting by subsidiaries, the calculation basis for the threshold shall be the paid-in capital or total assets of the Company.</p>	<p>thus it is required to be corrected, all the items shall again be publicly announced and reported in their entirety within two days upon knowledge of its error or omission.</p> <p>IV. When acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions of the certified public accountant, attorney and securities underwriter at the Company, where they shall be retained for five years, except where another law provides otherwise.</p> <p>V. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the above, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days from the date of occurrence of the event(inclusive):</p> <p>(I) Change, termination or rescission of a contract signed in regard to the original transaction.</p>	<p>professionals from being required to issue announcements for the aforementioned securities transactions. As subordinated debts are of high risks, we also expressly specify that common corporate bonds and general financial bonds that do not involve shareholding rights do not include subordinated debts.</p> <p>VI. The public announcement and</p>

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		<p>(II) The merger, demerger, acquisition or transfer of shares is not completed by the scheduled date set forth in the contract.</p> <p>(III) Change to the originally publicly announced and reported information.</p> <p>VI. Information required to be publicly announced and reported in accordance with this Article on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company shall be reported by the Company. With regard to the threshold for announcement or reporting by subsidiaries (i.e. 20% of paid-in capital or 10% of total assets), the calculation basis for the threshold shall be the paid-in capital or total assets of the Company.</p>	<p>regulatory filing standards for subsidiaries should be consistent with those of their parent companies.</p> <p>Paragraph 6 is amended based on the public announcement and regulatory filing for transactions by entities with paid-up capital of more than NT\$10 billion and require subsidiaries to adopt the public announcement and regulatory filing standards.</p>
Article 20	<p>The Procedures were established on May 2, 2000.</p> <p>The first amendment was on June 2, 2002.</p> <p>The second amendment was on May 3, 2003.</p> <p>The third amendment was on June 28, 2010.</p> <p>The fourth amendment was on June 7, 2012.</p> <p>The fifth amendment was on June 16, 2014.</p>	<p>The Procedures were established on May 2, 2000.</p> <p>The first amendment was on June 2, 2002.</p> <p>The second amendment was on May 3, 2003.</p> <p>The third amendment was on June 28, 2010.</p> <p>The fourth amendment was on June 7, 2012.</p>	<p>Added the amendment date.</p>

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	<p>The sixth amendment was on June 26, 2017.</p> <p><u>The seventh amendment was on June 26, 2019.</u></p>	<p>The fifth amendment was on June 16, 2014.</p> <p>The sixth amendment was on June 26, 2017.</p>	