

TWSE: 9919

KNH ENTERPRISE CO., LTD.
Handbook for the 2020 Annual Shareholders' Meeting

Notice to readers

This English version handbook is a summary translation of the Chinese version and is not an official document of the annual shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Date of the Meeting: June 11 , 2020

**Place of the Meeting: No. 66-1 Sanji, Neighborhood 14, Jiangjun Vil., Jiangjun Dist.,
Tainan City 72548, Taiwan (Kou Liao Plant)**

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I. Meeting Procedures

1. Call to order
2. Chairperson takes his place
3. Chairperson's address
4. Report items
5. Ratification items
6. Discussions items
7. Election Matters
8. Other Matters
9. Extraordinary Motions
10. Adjournment

II. Meeting Agenda

1. Report Items
 - (1) Operating Results and Financial Results of the year 2019
 - (2) Supervisors' Review Report on the 2019 Financial Statements.
 - (3) Investments in the PRC.
 - (4) Report of 2019 Remuneration Distribution for Employees, and Directors and Supervisors
 - (5) Report of amendments to the Company's "Regulations Governing the Procedures for Board of Directors Meetings".
 - (6) Report for allocation of cash dividends from capital surplus.
2. Ratification items
 - (1) 2019 Business Report and Financial Statements
 - (2) Distribution of 2019 Profit
3. Discussions items
 - (1) Amendments to the Company's "Articles of Incorporation".
 - (2) Amendments to the Company's "Rules of Procedure for Shareholders' Meetings".
 - (3) Amendments to the Company's "Regulations Governing for Loaning Funds to Others".
 - (4) Amendments to the Company's "Regulations Governing for Making Endorsements and Guarantees".
 - (5) Amendments to the Company's "Regulations Governing for the Acquisition or Disposal of Assets".
4. Election Matters
 - (1) By-election of the Company's 9 members of the 18th Board (including 3 independent directors).
5. Other Matters
 - (1) Lifting of the Company's Business Prohibition on Competition Clause for Newly Elected Directors after the 2020 Regular Shareholders' Meeting (including independent directors).
6. Extraordinary Motions
7. Adjournment

III. Report Items

1. Operating Results and Financial Results of the year 2019 (Proposed by the Board of Directors)

Explanatory Notes:

Please refer to pages 13-38 of the handbook for the Company's 2019 Business Report (APPENDIX 2), Auditor's Report and Financial Statements (APPENDIX 4).

Please review accordingly.

2. Supervisors' Review Report on the 2019 Financial Statements (Proposed by Supervisors)

Explanatory Notes:

The Company's 2019 financial statements have been duly audited and certified by CPA and further audited by Supervisors. The Supervisors also presented their review report referred to in APPENDIX 5 (Page 39).

Please review accordingly.

3. Investments in the PRC (Proposed by the Board of Directors).

Explanatory Notes:

The information about investees in Mainland China available until December 31, 2019 is stated as follows:

(1) KNH (Shanghai) Co., Ltd

- A. Operating Results: The operating revenue was CNY\$400,251 thousand in 2019, a growth by 65% from the previous year. The loss after income tax was CNY\$ 1,607 thousand (about NTD\$7,184 thousand), a decrease of CNY\$6,417 thousand (about NTD\$28,688 thousand) from the previous year. The growth of our performance and profit primarily comes from a wide range of our customers' promotion of new projects which has allowed our business to increase. With the more favorable situation in product portfolios, our loss in the year has improved by a large margin compared to the previous year.
- B. Operating Summary: For the time being, KNH (Shanghai) is primarily engaged in OEM, and aside from working with the existing customers stably, we also work hard to develop new customers and new products. The Company will be dedicated to strengthening its R&D, process technology, and quality control ability, and orient itself toward upgrading its competitiveness in price and overall business profit.

(2) ChengDu KNH Technology Co., Ltd.

- A. Operating Results: The loss after income tax was CNY\$2,838 thousand (about NTD\$12,688 thousand) in 2019, a decrease of CNY\$2,902 thousand (about NTD\$12,974 thousand) from the previous year, primarily a result of the decrease in management costs.

- B. Operating Summary: KNH in ChengDu has been shut down completely, and made every endeavor to dispose of assets afterward. No specific trading counterpart of land and plant has been confirmed so far.

(3) KNH (Yangzhou) Co., Ltd

- A. Paid-in capital: As of December 31, 2019, the total fund amounted to USD\$16,000 thousand; the remaining capital of the 3rd period amounted to USD\$14,000 thousand, the funds are planned to be divided into the following:

Amount of capital increase	Condition of capital increase
Stage 1: USD\$4 million	Executed upon completion of the construction project of the foundation and the capping of KNH (YANGZHOU) CO., LTD. factory.
Stage 2: USD\$10 million	Executed upon completion of construction of the factory of KNH (YANGZHOU) CO., LTD. and delivery to KNH Enterprise for the second renovation project

- B. Progress of investment project implementation: Plan to complete the factory construction work in 2020, and put it into production and operation as of 2021.

(4) Shanghai KNH International Trading Co., Ltd.

- A. Operating Results: The net operating loss after tax was CNY\$5,666 thousand in 2019 (about NTD\$25,330 thousand), primarily as a result of failure to achieve the overall business scale.
- B. Operating Summary: The development focus of our trading company is expanding our own brands in China and the ODEM channels in China regions. The operation of our own brands will focus on the high-end differentiated products and proactively expanding online channels as well as physical channel LKA. We hope to quickly establish our brand recolonization in China, further boosting business growth; in terms of ODEM channels, we are currently focusing on ODEM business on customers in China. We hope to accelerate the expansion of sales scales, further increasing the overall profit.

Please review accordingly.

4. The Company's 2019 Remuneration Distribution for Employees, and Directors and Supervisors (Proposed by the Board of Directors)

Explanatory Notes:

- (1) The Company's 2019 remuneration distribution for directors and supervisors is handled in accordance with the Company's Article of Incorporation. It shall not exceed 5% of the Company's current profit (namely, profit before income tax plus stated remuneration to employees and directors/supervisors) after making up for losses. Taking the Company's overall operation of 2019 into consideration, it is proposed that 3% shall be this year's distribution rate with an amount of NTD\$487,000.

- (2) The Company's 2019 remuneration distribution for employees is handled in accordance with the Company's Article of Incorporation. It shall not be less than 1% of the Company's current profit (namely, profit before income tax plus stated remuneration to employees and directors/supervisors) after making up for losses. Taking the Company's overall operation of 2019 into consideration, it is proposed that 1.5% shall be this year's distribution rate with an amount of NTD\$244,000.

Please review accordingly.

5. Report of amendments to the Company's "Regulations Governing the Procedures for Board of Directors Meetings". (Proposed by the Board of Directors)

Explanatory Notes:

- (1) To accommodate the Company's 2020 by-election for directors (including independent directors) and the replacement of supervisors' duties by establishing an Audit Committee. Articles which contain text relating to supervisors have therefore deleted. Articles 2 and 15 of the Company's "Regulations Governing the Procedures for Board of Directors Meetings" have been proposed for amendment.
- (2) To accommodate the requirements specified in Order No. Jin-Guan-Zheng-Fa-Zhi 10803619346, methods of the chair appointment when calling for a meeting by members of the board have been added, as well as the definitions of interested parties in relation to an agenda item with board of directors. Articles 9 and 14 of the Company's "Regulations Governing the Procedures for Board of Directors Meetings" have been proposed for amendment.
- (3) For "Regulations Governing the Procedures for Board of Directors Meetings" and the comparison table before and after the amendments, please refer to in APPENDIX 6 (Pages 40-48).

Please review accordingly.

6. Report for allocation of cash dividends from capital surplus. (Proposed by the Board of Directors)

Explanatory Notes:

- (1) The Company is proposing to use the capital surplus of NTD\$39,072,550 and issues shares in excess of par value to shares held in the register of shareholders' on the ex-dividend base date, with a cash dividend of NTD\$0.2 per share. After that if the shares outstanding are affected due to a change in the Company's shares, resulting in a change in shareholders cash ratio, it is proposed that the Chairman will be authorized to fully handle the matter.
- (2) The calculation method is the resultant amount rounded down to the New Taiwan Dollar and if the number is less than 1 dollar, it will be classed under the Company's other income.
- (3) Upon resolution of said cash dividend distributed from capital surplus by a shareholders' meeting, the board of directors will be authorized by the shareholders' meeting to schedule the ex-dividend date and date of payment.

Please review accordingly.

IV. Ratification Items

1. 2019 Business Report and Financial Statements (Proposed by the Board of Directors)

Explanatory Notes:

- (1) KNH's 2019 Consolidated and Parent Company Only Financial Statements were audited by independent auditors, Ms. Pan, Hui-Lin and Mr. Chih, Ping-Chun, of PricewaterhouseCoopers Taiwan.
- (2) The Business Report and Financial Statements, which have been approved by resolution of board of directors and examined by supervisors. The Financial Statements are referred to APPENDIX 2-4 (Pages 13-38).

Please acknowledge accordingly.

Resolution:

2. Distribution of 2019 Profit (Proposed by the Board of Directors)

Explanatory Notes:

- (1) The balance of the Company's 2019 undistributed earnings amounted to NTD\$10,009,485, net income for the year totaled NTD\$11,974,889 and current other comprehensive gains and losses totaled NTD\$4,142,302 less the 10% of surplus reserve NTD\$1,197,489 put aside in accordance with Article 27 of the Articles of Incorporation and disposal of equity instrument at FVTOCI NTD\$785,220, the aggregate amount of distributable earnings was NTD\$24,143,967 and less the amount of NTD\$24,143,967 reserved for operations needs in accordance with Articles of Incorporation; the distribution of shares for our shareholders this year is NTD\$0.
- (2) Distribution of 2019 Profits, please refer to APPENDIX 7 (pages 49).

Please acknowledge accordingly.

Resolution:

V. Discussions Items

1. Amendments to the “Company's Articles” of Incorporation. (Proposed by the Board of Directors)

Explanatory Notes:

- (1) To accommodate the Company’s 2020 by-election for directors (including independent directors) and the replacement of supervisors’ duties by establishing an Audit Committee. Articles which contain text relating to supervisors have therefore deleted or altered. The Name of Chapter 4, Articles 17, 17-1, 19, 21, 23, 25 and 27 stipulated in the Company’s “Articles of Incorporation” have been proposed for amendment.
- (2) Amend Article 31 of the Company's “Articles of Incorporation”, as the counts of additions/amendments to the Company's Articles of Incorporation are added.
- (3) The Company's “Articles of Incorporation” and Comparative List of the Articles before and after the amendments are referred to in APPENDIX 8 hereto (Pages 50~64).

Please discuss accordingly.

Resolution:

2. Amendments to the Company’s “Rules of Procedure for Shareholders' Meetings”. (Proposed by the Board of Directors)

Explanatory Notes:

- (1) According to the requirements specified in Order No. Jin-Guan-Zheng-Fa-Zhi 1080339900, the Company has adopted electronic voting and made some alteration as to the text to accommodate the rules for public companies. Articles 9, 14, 16, 15-1, and 19 have been proposed for amendment.
- (2) The Company's “Rules of Procedure for Shareholders' Meetings” and Comparative List of the Rules before and after the amendments is referred to in APPENDIX 9 hereto (Pages 65~72).

Please discuss accordingly.

Resolution:

3. Amendments to the Company’s “Regulations Governing for Loaning Funds to Others”. (Proposed by the Board of Directors)

Explanatory Notes:

- (1) According to the requirements specified in Order No. Jin-Guan-Zheng-Shen-Zhi 1080304826, when foreign companies in which the Company holds 100% of shares directly or indirectly are engage in lending of funds, when the foreign company which the Company holds 100% of shares directly or indirectly lends funds to the Company, are not subject to the restriction of the net worth of 40% or the one year maturity. The Company has also made some text changes to accommodate laws and regulations. Articles 2, 5, 10, and 12 of the Company’s “Regulations Governing for Loaning Funds to Others” have been proposed for amendment.

- (2) To accommodate the Company's 2020 by-election for directors (including independent directors) and the replacement of supervisors' duties by establishing an Audit Committee. Articles 8, 9 and 13 of the Company's "Regulations Governing for Loaning Funds to Others" have been proposed for amendment.
- (3) To accommodate the changes of the articles, Articles 1 to 13 stipulated in the "Regulations Governing for Loaning Funds to Others" have been proposed for amendment.
- (4) For the Company's "Regulations Governing for Loaning Funds to Others" and comparison table before and after the amendments, please refer to in APPENDIX 10 (Pages 73-83).

Please discuss accordingly.

Resolution:

4. Amendments to the Company's "Regulations Governing for Making Endorsements and Guarantees". (Proposed by the Board of Directors)

Explanatory Notes:

- (1) According to the requirements specified in Order No. Jin-Guan-Zheng-Shen-Zhi 1080304826, the investment carrying amount using the equity method for defined long-term investment amount, and adjustments of some text have been made accordingly to accommodate laws and regulations. The Company's Articles 3, 8 and 11 of "Regulations Governing for Making Endorsements and Guarantees" have been proposed for amendment.
- (2) To accommodate the Company's 2020 by-election for directors (including independent directors) and the replacement of supervisors' duties by establishing an Audit Committee. Articles 4 and 5 of the Company's "Regulations Governing for Making Endorsements and Guarantees" have been proposed for amendment.
- (3) To accommodate the presentation of articles, Articles 1 to 11 of the Company's "Regulations Governing for Making Endorsements and Guarantees" have been proposed for amendment.
- (4) For the Company's "Regulations Governing for Making Endorsements and Guarantees" and comparison table before and after the amendments, please refer to in APPENDIX 11 (Pages 84-95).

Please discuss accordingly.

Resolution:

5. Amendments to the Company's "Regulations Governing for the Acquisition or Disposal of Assets". (Proposed by the Board of Directors)

Explanatory Notes:

- (1) According to the requirements specified in Order No. Jin-Guan-Zheng-Fa-Zhi 1070341072, the following provisions have been amended:
 - A. To accommodate IFRS16's classifying "right-of-use assets" in the definition of "assets" in the Procedures; and in IFRS9 financial instruments, scope of derivatives have been specified; Articles 2, 5 and 6 of the Company "Regulations Governing for the Acquisition or Disposal of Assets" have been proposed for amendment.

- B. Given that relevant regulations must be followed in regards of bidding when making acquisition or disposal of asset transactions with domestic government agencies, among which there is low possibility to manipulate the price; therefore expert opinions may be exempted; given that the information regarding bonds in Taiwan central government and local government are clear and easy to check, an approval from the board of directors regarding matters of acquiring government bond from related parties are exempted. Articles 5 and 6 of the Company “Regulations Governing for the Acquisition or Disposal of Assets” have been proposed for amendment.
 - C. Given the overall business planning between the parent company and subsidiaries, collective purchase of real estate or a lease for operation use or possible sub-let, due to the lower risk of non-arm’s length transaction, the evaluation of the reasonableness of transaction costs are exempted. Articles 5 of the Company “Regulations Governing for the Acquisition or Disposal of Assets” have been proposed for amendment.
 - D. Disqualifying criteria of external experts and clear responsibility of external experts. Article 7 of the Company “Regulations Governing for the Acquisition or Disposal of Assets” has been proposed for amendment.
- (2) To accommodate the Company’s 2020 by-election for directors (including independent directors) and the replacement of supervisors’ duties by establishing an Audit Committee. Articles which contain text relating to supervisors have therefore deleted. Articles 5 and 7 of the Company’s “Regulations Governing for the Acquisition or Disposal of Assets” have been proposed for amendment.
 - (3) For the Company's “Regulations Governing for the Acquisition or Disposal of Assets” and comparison table before and after the amendments, please refer to in APPENDIX 12 (Pages 96-142).

Please discuss accordingly.

Resolution:

VI. Election Matters

1. By-election of the Company's 9 members of the 18th Board (including 3 independent directors). (Proposed by the Board of Directors)

Explanatory Notes:

- (1) When the term of the 17th session of directors and supervisors is completed on June 14, 2020, a by-election will be held in the shareholders meeting this year according to the law. Based on the requirements of Article 17-1 of the Company's current Articles of Incorporation, the candidates nomination system is adopted by the Company. 9 board of directors (including 3 independent directors) will be elected and all independent directors will form the Audit Committee to replace the duties of supervisors. Supervisors are therefore not being elected in this by-election.
- (2) In order to accommodate the Company's shareholder meeting by-election date and the establishment of Audit Committee based on Article 14-4 of the Securities and Exchange Act, the original directors and supervisors are dismissed on the date of the by-election; new appointed directors (including independent directors) elected on the shareholders meeting will take office while the establishment of the supervisors are abolished. The elected directors will serve a term of 3 years starting June 11, 2020 to June 10, 2023.
- (3) The Company's election of directors adopts the candidates nomination system stipulated in Article 192-1 of the Company Act. After the assessment of the board of directors' meeting on April 24, 2020, it has been approved that there shall be 9 board of directors from the candidates list (including 3 independent directors). Those on the list of candidates shall be elected by shareholders and their education, experience as well as their shareholding shall be recorded in the APPENDIX 14 of the Agenda Handbook (pages 146-150).

Voting Results:

VII. Other Matters

1. Lifting of the Company's Business Prohibition of Competition Clause for Newly Elected Directors after the 2020 Regular Shareholders' Meeting (including independent directors). (Proposed by the Board of Directors)

Explanatory Notes:

- (1) According to Paragraph 1, Article 209 in the Company Act that a director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
- (2) If a director (including independent directors, juristic persons or their representatives) elected in the Company's shareholders meeting, is investing or acting as a directors or managerial officers in a company which is the same type or similar to the Company's business scope, under the circumstance that it does not harm the Company's interest, it has been proposed for an approval to lift the Company's business strife limitation.
- (3) The main content of the Business Prohibition of Competition for newly elected directors (including independent directors) is as follows:

Job Title	Name	Name and position in other companies
Director	Tai, Jung-Chi	Chairman of Outlook Investment Pte Ltd. Chairman of Hi-Pure Biotechnology Co., Ltd. Chairman of K Jie Water & Environmental Engineering Co., Ltd. Chairman of Kangyao Investment Co., Ltd.
Director	Tai, Hwa-Ming	Director of Taichu Engineer Co., Ltd. Director of Outlook Investment Pte Ltd.
Director / General Manager	Tai, Hsiu-Ling	Chairman of KNH (Shanghai) Co., Ltd. Director and General Manager of ChengDu KNH Technology Co., Ltd. Chairman of Southstar Assets Limited. Chairman of Well Held Internation Limited. Director of K. Jie Water & Environmental Engineering Co., Ltd. Director of Outlook Investment Pte Ltd. Chairman and General Manager of Shanghai KNH International Trading Co., Ltd. Chairman of KNH (Yangzhou) Co., Ltd. Director of Kangyao Investment Co., Ltd.
Director	Kangyao Investment Co., Ltd. Representative: Tai, Fu-Jen	Director of K. Jie Water & Environmental Engineering Co., Ltd. Director of Zhengquan Co., Ltd.

Please discuss accordingly.

Resolution:

VIII. Extraordinary Motions

KNH Enterprise Co., Ltd.**Shareholding of Directors and Supervisors**

- I. The Company's paid-in capital was NTD\$1,953,627,500, and issued stock totaled 195,362,750 shares.
- II. According to Article 26 of the Securities and Exchange Act, all of the directors held the minimum percentage of stock totaling 11,721,765 shares, and all of the supervisors held the minimum percentage of stock totaling 1,172,177 shares. All of the directors and supervisors held the minimum percentage of stock totaling 12,893,942 shares.
- III. As of the date on which the transfer of shareholdings is suspended for the present shareholders' meeting the numbers of shares actually held by individual and all directors are enumerated below:

Date: April 13, 2020

Job Title	Name	Director		Supervisor	
		Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)
Chairman	Tai, Jung-Chi	9,921,393	5.08	-	-
Director	Ho, Kuo-Chen	1,343,253	0.69	-	-
Director	Tai, Hwa-Ming	2,167,717	1.11	-	-
Director	Tai, Hsiu-Ling	1,343,487	0.69	-	-
Director	Tai, Fu-Jen (Note 1)	1,169,154	0.60	-	-
Director	Kangyao Investment Co., Ltd. (Note 1)	38,089,000	19.50	-	-
	(Representative: Tai, Hua Chung) (Note 2)	2,136,230	1.09		
Director	Kangyao Investment Co., Ltd. (Note 1)	38,089,000	19.50	-	-
	(Representative: Wu, Jeng-Rong) (Note 2)	507,565	0.26		
Independent Director	Chou, Te-Kuang	-	-	-	-
Independent Director	Hwang, Jen-Te	-	-	-	-
Supervisor	Hsieh, Hsiu-Ling	-	-	1,331,000	0.68
Supervisor	Lin, Min-Chen	-	-	477,745	0.24
Shareholding of Directors and Supervisors		56,677,799	29.02	1,808,745	0.92

Note 1: Appointed on the election of the special shareholders meeting on December 13, 2019.

Note 2: Juristic representatives are appointed instead on December 17, 2019.

KNH Enterprise Co., Ltd. Business Report

Operating results in 2019

The consolidated operating turnover this year totaled NTD\$4.1 billion, achieving 100% of the budget, up 15% from the previous year. Due to the exceptional market response coming from the China OEM customers in regards of new products which has allowed the order demand to grow, as well as the Company's overall operating income compared to the previous year, with the same gross margin at 15%. The Group's overall operating gains amounted to NTD\$25.93 million from loss which is a large margin of growth compared to the previous year.

The Company has been devoting itself to R&D for many years. In terms of the medical supply nonwoven technique, we have established a solid foundation and, we continue to introduce various functional products covering women and children, skincare, household cleaning, medical care. Taking into consideration the long-term development needs and the government's project of "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to in Taiwan"- when we acquired the support of the InvesTaiwan Service Center of the Ministry of Economic Affairs, the Company has officially launched the Phase 3 plan of the Kou-Liao Plant. We use the investment of the superfine composite spun-bond nonwovens and relevant process equipment to allow the field to expand to a high-end nonwoven production for electronics industry or general industry (for example: air filter base fabrics, wall fabrics, clothing and home furnishing base fabrics, electronic-grade wiping cloth, artificial leather and wafer polishing pad, etc.). In the future, we will do our utmost to continue with the research according to the items on our plan.

Business plan in 2020

The focus of operation in 2020 will still take upgrading of the Group's overall profit as the first priority. The measures to be taken by the Company include active creation and compliance with customers' needs to upgrade the business growth, and improvement on the operation process and integration of overall resources to cut operating costs and upgrade operating efficiency. According to the Group's business plan 2020, the sales volume of medical products is expected to reach 7,073 million pieces, and that of various non-woven fabrics 3,000 tons.

The operation of private brand in Taiwan will be focused on enhancement of consumers' preference for brand identity, expansion of the market share for consumers of different ages and accelerated release of new functional products boosting the market demand to upgrade and enhance the profit structure. The operation of OEM business will be focused on the stable growth, while we proactively develop new customers and new products. We will work tirelessly to enhance the Company's R&D, process technique and product quality control in order to increase the price competitiveness while expanding the private brands in China as well as the ODEM in the regional channels. It will operate the private brands in the mainland China by focusing on high-end differentiated products and developing network channels and physical regional hypermarket channels, and enhancing online marketing to establish brand awareness; the

focus of the operation of ODEM business in China is the development of the China customers in hopes of accelerating the business growth and upgrading the overall profitability. In terms of internal management, by establishment of the new factory premises, it will strengthen the integration of resources, upgrade its operating flexibility, reflect the needs from various sides rapidly, and maintain high quality and high output, so as to maximize the Company's profit.

Aside from introducing functional medical products in 2020, the Company also moves towards the development and product application of high-end nonwoven fabrics; in terms of medical field, the Company continues to invest in the R&D of wound dressings and medical-grade disinfectant wipes; in terms of the green energy field, the Company has teamed up with the Department of Materials of National Cheng Kung University and have continued to invest in magnesium-sodium batteries that are environmentally friendly and are able to roll, fold and have the strength of fabric toughness. We have been proactively developing the R&D plan of bio-degradable and re-use nonwoven fabrics in the hope to increase our production lines and expand business scales in a bid to increase the Company's competitive advantage.

The Company's future development strategy, and the effect of external competition, legal environment and overall business environment

Faced with the problem of changes in the population structure and the environment over the years, the competition for consuming market has become challenging. The Company has the skill to manufacture nonwoven products, aside from pursuing optimization of medical products in order to maintain our leading position in the market, we also use the core technique to proactively invest in industrial, medical and green energy related nonwoven fields while aiming to develop diversified, high-end, functional and high value-added products. Through the extension of new product lines, as well as the expansion of new channels, our new business opportunities have increased. We hope to thrive in the market with the approach of quickly increasing sales and making profits.

In the upcoming year, the Company will keep upholding the practical philosophy, strengthening its business constitution, solidifying its strength, satisfying the needs of our customers and consumers, upgrading consumers' sense of identity, maintaining high-quality corporate identity and fulfilling its corporate social responsibility to create greater profit and better welfare for shareholders and all employees.

Chairman:

General Manager:

Chief Accountant:

Auditor’s Report and Financial Statements

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19003559

To the Board of Directors and Shareholders of KNH ENTERPRISE CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of KNH ENTERPRISE CO., LTD. (the “Company”) as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

We conducted our audit of the parent company only financial statements as of and for the year ended December 31, 2019 in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, "Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020” and generally accepted auditing standards in the Republic of China (ROC GAAS); and in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS) for our audit of the parent company only financial statements as of and for the year ended December 31, 2018. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2019 is stated as follows:

Evaluation of inventories

Description

Refer to Note 4(10) for accounting policies adopted for the evaluation of inventories, Note 5 for critical accounting estimates and assumptions used in the evaluation of inventories, and Note 6(4) for details of inventories. As of December 31, 2019, inventory and allowance for valuation losses are NTD\$557,586 thousand and NTD\$15,542 thousand, respectively.

The Company is primarily engaged in the manufacturing and sales of non-woven fabric products, feminine care, baby diapers, wet wipes and so on. Due to a wide variety of technologies and production methods, the non-woven industry continues to develop different innovative materials and product applications. As such, new consumer products are constantly being introduced to meet market trends and customer needs which leads to a higher risk of decline in inventory value. The Company measures inventories at the lower of cost and net realisable value, and assesses whether the value of inventories has declined and any losses incurred based on the clearance of inventory are examined by management periodically.

As the evaluation of inventory requires critical judgement and a high degree of uncertainty in estimating the net realisable value of inventory, we consider the evaluation of allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

Our audit procedures performed in respect of the above key audit matter included the following:

1. Obtaining the Company's accounting policy on allowance for inventory valuation, checking whether the accounting policy has been consistently applied, and assessing the reasonableness of management's assumptions on inventory valuation.
2. Verifying whether the "lower of cost and net realisable value report" is in accordance with the Company's accounting policy and selecting samples from the report to check the accuracy of selling price, and selling expense ratio which were used to calculate net realisable value.

3. Obtaining physical inventory count documents, performing inquiry with management and related personnel, and inspecting inventory warehouse to confirm whether the slow-moving, surplus, obsolete, scrapped or damaged items were included in the details of inventory.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

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

Those charged with governance, including the supervisors, are responsible for overseeing Company’s financial reporting process.

Auditor’s responsibilities for the audit of the parent company only financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Penny, Pan

Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan
February 26, 2020

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

KNH ENTERPRISE CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Assets	Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 296,039	6	\$ 359,818	8
1136	Current financial assets at amortised cost	8	2,574	-	-	-
1150	Notes receivable, net	6(3)	4,022	-	9,487	-
1170	Accounts receivable, net	6(3) and 12(2)	488,755	10	513,244	11
1180	Accounts receivable - related parties	7	68,603	1	46,465	1
1200	Other receivables		3,978	-	6,679	-
1210	Other receivables - related parties	7	175,088	4	25,463	1
130X	Inventory	6(4)	557,586	12	565,149	12
1410	Prepayments		27,163	1	13,300	-
1470	Other current assets	8	-	-	3,903	-
11XX	Total current assets		<u>1,623,808</u>	<u>34</u>	<u>1,543,508</u>	<u>33</u>
Non-current assets						
1550	Investments accounted for under equity method	6(5)	1,119,535	23	1,059,473	22
1600	Property, plant and equipment	6(6) and 8	1,876,523	39	1,911,154	41
1755	Right-of-use assets	6(7)	3,236	-	-	-
1780	Intangible assets	6(8)	1,570	-	3,192	-
1840	Deferred income tax assets	6(22)	205,471	4	199,929	4
1900	Other non-current assets		3,181	-	1,955	-
15XX	Total non-current assets		<u>3,209,516</u>	<u>66</u>	<u>3,175,703</u>	<u>67</u>
1XXX	Total assets		<u>\$ 4,833,324</u>	<u>100</u>	<u>\$ 4,719,211</u>	<u>100</u>

(Continued)

KNH ENTERPRISE CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(9)	\$ 48,852	1	\$ 80,983	2
2130	Contract liabilities - current	6(17)	1,155	-	2,446	-
2150	Notes payable		1,392	-	3,758	-
2170	Accounts payable		203,187	4	194,544	4
2180	Accounts payable - related parties	7	18,028	-	27,329	1
2200	Other payables	6(10)	212,680	5	195,121	4
2230	Current income tax liabilities		6,956	-	4,712	-
2250	Provisions for liabilities - current	6(13)	3,318	-	9,050	-
2280	Lease liabilities - current		2,211	-	-	-
2300	Other current liabilities	6(11)	169,452	4	378,198	8
21XX	Total current liabilities		<u>667,231</u>	<u>14</u>	<u>896,141</u>	<u>19</u>
Non-current liabilities						
2540	Long-term borrowings	6(11)	1,680,973	34	1,277,048	27
2570	Deferred income tax liabilities	6(22)	39,924	1	48,426	1
2580	Lease liabilities - non-current		785	-	-	-
2600	Other non-current liabilities	6(5)(12)	139,279	3	135,499	3
25XX	Total non-current liabilities		<u>1,860,961</u>	<u>38</u>	<u>1,460,973</u>	<u>31</u>
2XXX	Total liabilities		<u>2,528,192</u>	<u>52</u>	<u>2,357,114</u>	<u>50</u>
Equity						
Share capital						
3110	Share capital - common stock	6(14)	1,953,728	40	1,953,728	41
Capital surplus						
3200	Capital surplus	6(15)	95,374	2	134,447	3
Retained earnings						
3310	Legal reserve	6(16)	200,085	4	200,085	4
3350	Unappropriated retained earnings		25,341	1	10,009	-
Other equity interest						
3400	Other equity interest		30,713	1	63,937	2
3500	Treasury stocks	6(14)	(109)	-	(109)	-
3XXX	Total equity		<u>2,305,132</u>	<u>48</u>	<u>2,362,097</u>	<u>50</u>
Significant contingent liabilities and unrecognized contractual commitments						
Significant subsequent events						
3X2X	Total liabilities and equity		<u>\$ 4,833,324</u>	<u>100</u>	<u>\$ 4,719,211</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

KNH ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS (LOSS) PER SHARE AMOUNT)

Items	Notes	Year ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(17) and 7	\$ 2,388,538	100	\$ 2,520,951	100
5000 Operating costs	6(4)(21) and 7	(1,890,761)	(79)	(2,035,126)	(81)
5900 Net operating margin		497,777	21	485,825	19
5910 Unrealised profit from sales		(8,506)	(1)	(10,662)	-
5920 Realised profit from sales		16,211	1	11,364	-
5950 Net operating margin		505,482	21	486,527	19
Operating expenses	6(21)				
6100 Selling expenses		(259,112)	(11)	(277,465)	(11)
6200 General and administrative expenses		(102,097)	(4)	(91,531)	(4)
6300 Research and development expenses		(42,698)	(2)	(33,218)	(1)
6450 Expected credit impairment loss	12(2)	(1,885)	-	(2,216)	-
6000 Total operating expenses		(405,792)	(17)	(404,430)	(16)
6900 Operating profit		99,690	4	82,097	3
Non-operating income and expenses					
7010 Other income	6(18) and 7	16,245	1	25,698	1
7020 Other gains and losses	6(19)	(14,309)	(1)	(8,144)	-
7050 Finance costs	6(20)	(27,230)	(1)	(27,227)	(1)
7070 Share of loss of associates and joint ventures accounted for using equity method, net	6(5)	(55,218)	(2)	(81,884)	(3)
7000 Total non-operating income and expenses		(80,512)	(3)	(91,557)	(3)
7900 Profit (loss) before income tax		19,178	1	(9,460)	-
7950 Income tax expense	6(22)	(7,202)	(1)	(6,669)	-
8200 Profit (loss) for the year		\$ 11,976	-	(\$ 16,129)	-

(Continued)

KNH ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS (LOSS) PER SHARE AMOUNT)

	Items	Notes	Year ended December 31				
			2019		2018		
			AMOUNT	%	AMOUNT	%	
	Other comprehensive income						
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss						
8311	Actuarial gains (losses) on defined benefit plans	6(12)	\$ 5,177	-	(\$ 3,270)	-	
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(2)	-	-	(785)	-	
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	(1,036)	-	1,097	-	
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		<u>4,141</u>	-	(2,958)	-	
	Components of other comprehensive income that will be reclassified to profit or loss						
8361	Exchange differences on translation	6(5)	(42,511)	(2)	(15,677)	(1)	
8399	Aggregated income tax relating to components of other comprehensive income	6(22)	8,502	1	(509)	-	
8360	Other comprehensive loss that will be reclassified to profit or loss		(34,009)	(1)	(16,186)	(1)	
8300	Total other comprehensive loss for the year, net of tax		<u>(\$ 29,868)</u>	<u>(1)</u>	<u>(\$ 19,144)</u>	<u>(1)</u>	
8500	Total comprehensive loss for the year		<u>(\$ 17,892)</u>	<u>(1)</u>	<u>(\$ 35,273)</u>	<u>(1)</u>	
	Earnings (loss) per share (in dollars)	6(23)					
9750	Basic earnings (loss) per share		<u>\$ 0.06</u>		<u>(\$ 0.08)</u>		
9850	Diluted earnings (loss) per share		<u>\$ 0.06</u>		<u>(\$ 0.08)</u>		

The accompanying notes are an integral part of these parent company only financial statements.

KNH ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Capital Reserves			Retained Earnings			Other Equity Interest			Total equity
	Share capital - common stock	Total capital surplus, additional paid-in capital	Treasury stock transactions	Capital surplus, changes in ownership interests in subsidiaries	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks	
Year ended December 31, 2018										
Balance at January 1, 2018	\$ 1,971,268	\$ 134,280	\$ 1,569	\$ 7,766	\$ 188,717	\$ 107,914	\$ 89,104	\$ -	(\$ 19,051)	\$ 2,481,567
Effects of retrospective application (Note)	-	-	-	-	-	8,196	-	(8,196)	-	-
Balance at January 1 after adjustments	1,971,268	134,280	1,569	7,766	188,717	116,110	89,104	(8,196)	(19,051)	2,481,567
Loss for the year	-	-	-	-	-	(16,129)	-	-	-	(16,129)
Other comprehensive loss for the year	-	-	-	-	-	(2,173)	(16,186)	(785)	-	(19,144)
Total comprehensive loss	-	-	-	-	-	(18,302)	(16,186)	(785)	-	(35,273)
Appropriations of 2017 earnings	6(16)									
Legal reserve	-	-	-	-	11,368	(11,368)	-	-	-	-
Cash dividends	-	-	-	-	-	(68,377)	-	-	-	(68,377)
Retirement of treasury shares	6(14)	(1,195)	(207)	-	-	-	-	-	18,942	-
Effect due to changes in percentage of ownership in subsidiaries	6(5)									
Balance at December 31, 2018	\$ 1,953,728	\$ 133,085	\$ 1,362	\$ (7,766)	\$ 200,085	\$ 10,009	\$ 72,918	(\$ 8,981)	(\$ 109)	\$ 2,362,097
Year ended December 31, 2019										
Balance at January 1, 2019	\$ 1,953,728	\$ 133,085	\$ 1,362	\$ -	\$ 200,085	\$ 10,009	\$ 72,918	(\$ 8,981)	(\$ 109)	\$ 2,362,097
Profit for the year	-	-	-	-	-	11,976	-	-	-	11,976
Other comprehensive income (loss) for the year	-	-	-	-	-	4,141	(34,009)	-	-	(29,868)
Total comprehensive income (loss)	-	-	-	-	-	16,117	(34,009)	-	-	(17,892)
Cash dividends from capital surplus	6(16)	(39,073)	-	-	-	-	-	-	-	(39,073)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(2)									
Balance at December 31, 2019	\$ 1,953,728	\$ 94,012	\$ 1,362	\$ -	\$ 200,085	\$ 25,341	\$ 38,909	(\$ 8,196)	(\$ 109)	\$ 2,305,132

Note 1: The Group has elected not to restate prior period financial statements using the modified retrospective approach when applying IFRS 9 effective from 2018. Accordingly, the Group increased retained earnings and decreased other equity interest in ac

The accompanying notes are an integral part of these parent company only financial statements.

KNH ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		\$ 19,178	(\$ 9,460)
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12(2)	1,885	2,216
Depreciation	6(6)(7)(21)	127,675	160,132
Amortisation	6(8)(21)	1,622	1,635
Property, plant and equipment transferred to expenses	6(6)		
		4,749	1,386
Loss (gain) on disposal of property, plant and equipment	6(18)		
		2,576	(3,166)
Interest income	6(18)	(980)	(1,270)
Interest expense	6(20)	21,471	19,961
Impairment loss on financial assets	6(19)	-	8,617
Share of loss of associates and joint ventures accounted for under equity method	6(5)		
		55,218	81,884
Realised profit from sales		(9,342)	(702)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		5,423	5,448
Accounts receivable, net		22,646	38,628
Accounts receivable - related parties		(22,138)	(2,372)
Other receivables		2,701	(2,684)
Other receivables - related parties		(20,711)	(4,476)
Inventory		7,563	41,933
Prepayments		(15,232)	8,814
Changes in operating liabilities			
Contract liability - current		-	2,446
Notes payable		(2,366)	(950)
Accounts payable		8,643	(14,594)
Accounts payable - related parties		(9,301)	3,179
Other payables		22,322	(3,100)
Provisions for liabilities - current		(5,732)	9,050
Other current liabilities		(22,877)	(7,634)
Other non-current liabilities		(124)	22
Cash inflow generated from operations		194,869	334,943
Interest received		980	1,416
Dividends received		-	743
Interest paid		(21,741)	(19,979)
Income tax paid		(11,536)	(23,395)
Net cash flows from operating activities		162,572	293,728

(Continued)

KNH ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Gain on other receivables - related parties		(\$ 128,914)	\$ -
Decrease in other financial assets		-	29,086
Decrease in financial assets at amortised cost		1,329	-
Acquisition of property, plant and equipment	6(25)	(105,859)	(39,549)
Capitalisation of interest on acquisition of property, plant and equipment	6(6)(25)	(1,918)	(2,456)
Proceeds from disposal of property, plant and equipment		2,500	-
Increase in refundable deposits		(1,226)	(662)
Decrease in other non-current assets		-	927
Net cash flows used in investing activities		(234,088)	(12,654)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings		241,234	849,470
Repayments of short-term borrowings		(273,365)	(976,968)
Proceeds from short-term notes and bills payable		-	150,000
Repayments of short-term notes and bills payable		-	(150,000)
Proceeds from long-term debt		971,000	310,000
Repayments of long-term debt		(754,235)	(55,978)
Decrease in refundable deposits		-	(1,901)
Increase in investments accounted for under equity	6(5)	(135,709)	(308,540)
Payments of lease liabilities	6(7)	(2,115)	-
Cash dividends paid	6(16)	-	(68,377)
Cash dividends from capital surplus	6(16)	(39,073)	-
Net cash flows from (used in) financing activities		7,737	(252,294)
Net (decrease) increase in cash and cash equivalents		(63,779)	28,780
Cash and cash equivalents at beginning of year		359,818	331,038
Cash and cash equivalents at end of year		\$ 296,039	\$ 359,818

The accompanying notes are an integral part of these parent company only financial statements.

Auditor’s Report and Financial Statements(Consolidated)

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE
PWCR 19003918

To the Board of Directors and Shareholders of KNH ENTERPRISE CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of KNH ENTERPRISE CO., LTD. and its subsidiaries (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, "Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020” and generally accepted auditing standards in the Republic of China (ROC GAAS); and in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS) for our audit of the consolidated financial statements as of and for the year ended December 31, 2018. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2019 is stated as follows:

Evaluation of inventories

Description

Refer to Note 4(11) for accounting policies adopted for the evaluation of inventories, Note 5 for critical accounting estimates and assumptions used in the evaluation of inventories, and Note 6(4) for details of inventories. As of December 31, 2019, inventory and allowance for valuation losses are NTD\$945,287 thousand and NTD\$20,657 thousand, respectively.

The Group is primarily engaged in the manufacturing and sales of non-woven fabric products, feminine care, baby diapers, wet wipes and so on. Due to a wide variety of technologies and production methods, the non-woven industry continues to develop different innovative materials and product applications. As such, new consumer products are constantly being introduced to meet market trends and customer needs which leads to a higher risk of decline in inventory value. The Group measures inventories at the lower of cost and net realisable value, and assesses whether the value of inventories has declined and any losses incurred based on the clearance of inventory are examined by management periodically.

As the evaluation of inventory requires critical judgement and a high degree of uncertainty in estimating the net realisable value of inventory, we consider the evaluation of allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

Our audit procedures performed in respect of the above key audit matter included the following:

1. Obtaining the Group's accounting policy on allowance for inventory valuation, checking whether the accounting policy has been consistently applied, and assessing the reasonableness of management's assumptions on inventory valuation.
2. Verifying whether the "lower of cost and net realisable value report" is in accordance with the Group's accounting policy and selecting samples from the report to check the accuracy of selling price, and selling expense ratio which were used to calculate net realisable value.

3. Obtaining physical inventory count documents, performing inquiry with management and related personnel, and inspecting inventory warehouse to confirm whether the slow-moving, surplus, obsolete, scrapped or damaged items were included in the details of inventory.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of KNH ENTERPRISE CO., LTD. as at and for the years ended December 31, 2019 and 2018.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the supervisors, are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Penny Pan

Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 2020

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

KNH ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 884,559	15	\$ 999,009	18
1136	Financial assets at amortised cost - current	8	4,024	-	-	-
1140	Contract assets - current	6(18)	10,793	-	6,961	-
1150	Notes receivable, net	6(3) and 12(2)	4,022	-	9,487	-
1170	Accounts receivable, net	6(3) and 12(2)	1,175,294	21	963,485	17
1200	Other receivables	7 and 12(2)	5,463	-	10,844	-
1220	Current income tax assets		6	-	9	-
130X	Inventory	6(4)	945,287	17	860,327	16
1410	Prepayments		53,267	1	48,969	1
1470	Other current assets	8	-	-	3,903	-
11XX	Total current assets		<u>3,082,715</u>	<u>54</u>	<u>2,902,994</u>	<u>52</u>
Non-current assets						
1550	Investments accounted for under equity method	6(5)	2,276	-	2,110	-
1600	Property, plant and equipment	6(6) and 8	2,284,425	40	2,365,600	43
1755	Right-of-use assets	6(7) and 8	53,906	1	-	-
1780	Intangible assets	6(8)	2,351	-	4,931	-
1840	Deferred income tax assets		228,884	4	224,881	4
1900	Other non-current assets	6(9) and 8	50,125	1	72,966	1
15XX	Total non-current assets		<u>2,621,967</u>	<u>46</u>	<u>2,670,488</u>	<u>48</u>
1XXX	Total assets		<u>\$ 5,704,682</u>	<u>100</u>	<u>\$ 5,573,482</u>	<u>100</u>

(Continued)

KNH ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(10)	\$ 536,404	10	\$ 533,136	10
2130	Contract liabilities - current	6(18)	4,382	-	4,887	-
2150	Notes payable		1,392	-	3,758	-
2170	Accounts payable		532,723	9	412,628	7
2180	Accounts payable - related parties	7	832	-	1,320	-
2200	Other payables	6(11)	287,437	5	262,035	5
2230	Current income tax liabilities		6,956	-	4,712	-
2250	Provisions for liabilities - current	6(14)	3,318	-	9,050	-
2280	Lease liabilities - current		6,968	-	-	-
2300	Other current liabilities	6(12)	169,535	3	386,567	7
21XX	Total current liabilities		<u>1,549,947</u>	<u>27</u>	<u>1,618,093</u>	<u>29</u>
Non-current liabilities						
2540	Long-term borrowings	6(12)	1,680,973	30	1,277,048	23
2570	Deferred income tax liabilities		39,924	1	48,426	1
2580	Lease liabilities - non-current		7,255	-	-	-
2600	Other non-current liabilities	6(13)	121,451	2	126,983	2
25XX	Total non-current liabilities		<u>1,849,603</u>	<u>33</u>	<u>1,452,457</u>	<u>26</u>
2XXX	Total liabilities		<u>3,399,550</u>	<u>60</u>	<u>3,070,550</u>	<u>55</u>
Equity attributable to owners of parent						
Share capital						
3110	Share capital - common stock	6(15)	1,953,728	34	1,953,728	35
Capital surplus						
3200	Capital surplus	6(16)	95,374	2	134,447	2
Retained earnings						
3310	Legal reserve	6(17)	200,085	3	200,085	4
3350	Unappropriated retained earnings		25,341	-	10,009	-
Other equity interest						
3400	Other equity interest		30,713	1	63,937	1
3500	Treasury stocks	6(15)	(109)	-	(109)	-
31XX	Equity attributable to owners of the parent		<u>2,305,132</u>	<u>40</u>	<u>2,362,097</u>	<u>42</u>
36XX	Non-controlling interest		<u>-</u>	<u>-</u>	<u>140,835</u>	<u>3</u>
3XXX	Total equity		<u>2,305,132</u>	<u>40</u>	<u>2,502,932</u>	<u>45</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant subsequent events						
3X2X	Total liabilities and equity		<u>\$ 5,704,682</u>	<u>100</u>	<u>\$ 5,573,482</u>	<u>100</u>

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

KNH ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS (LOSS) PER SHARE DATA)

Items	Notes	Year ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(18)	\$ 4,056,986	100	\$ 3,534,235	100
5000 Operating costs	6(4)(22) and 7	(3,447,476)	(85)	(2,980,433)	(85)
5950 Net operating margin		<u>609,510</u>	<u>15</u>	<u>553,802</u>	<u>15</u>
Operating expenses	6(22)				
6100 Selling expenses		(327,483)	(8)	(332,090)	(9)
6200 General and administrative expenses		(189,578)	(5)	(173,605)	(5)
6300 Research and development expenses		(66,440)	(2)	(56,110)	(2)
6450 Expected credit impairment loss	12(2)	(83)	-	(2,662)	-
6000 Total operating expenses		<u>(583,584)</u>	<u>(15)</u>	<u>(564,467)</u>	<u>(16)</u>
6900 Operating profit (loss)		<u>25,926</u>	<u>-</u>	<u>(10,665)</u>	<u>(1)</u>
Non-operating income and expenses					
7010 Other income	6(19) and 7	64,945	2	61,242	2
7020 Other gains and losses	6(20)	(18,874)	(1)	(23,309)	(1)
7050 Finance costs	6(7)(21)	(55,476)	(1)	(45,034)	(1)
7060 Share of profit (loss) of associates and joint ventures accounted for under equity method	6(5)	<u>166</u>	<u>-</u>	<u>(131)</u>	<u>-</u>
7000 Total non-operating income and expenses		<u>(9,239)</u>	<u>-</u>	<u>(7,232)</u>	<u>-</u>
7900 Profit (loss) before income tax		16,687	-	(17,897)	(1)
7950 Income tax expense	6(23)	(7,851)	-	(7,624)	-
8200 Profit (loss) for the year		<u>\$ 8,836</u>	<u>-</u>	<u>(\$ 25,521)</u>	<u>(1)</u>

(Continued)

KNH ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS (LOSS) PER SHARE DATA)

Items	Notes	Year ended December 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311	Gains (losses) on remeasurements of defined benefit plans	6(13)	\$ 5,177	-	(\$ 3,270)	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(2)	-	-	(785)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	(1,036)	-	1,097	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		<u>4,141</u>	-	(2,958)	-
Components of other comprehensive income that will be reclassified to profit or loss						
8361	Financial statements translation differences of foreign operations		(45,200)	(1)	(18,322)	-
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(23)	8,502	-	(509)	-
8360	Other comprehensive loss that will be reclassified to profit or loss		(36,698)	(1)	(18,831)	-
8300	Total other comprehensive loss for the year		<u>(\$ 32,557)</u>	<u>(1)</u>	<u>(\$ 21,789)</u>	<u>-</u>
8500	Total comprehensive loss for the year		<u>(\$ 23,721)</u>	<u>(1)</u>	<u>(\$ 47,310)</u>	<u>(1)</u>
Profit (loss) attributable to:						
8610	Owners of the parent		\$ 11,976	-	(\$ 16,129)	(1)
8620	Non-controlling interest		(3,140)	-	(9,392)	-
			<u>\$ 8,836</u>	<u>-</u>	<u>(\$ 25,521)</u>	<u>(1)</u>
Comprehensive loss attributable to:						
8710	Owners of the parent		(\$ 17,892)	(1)	(\$ 35,273)	(1)
8720	Non-controlling interest		(5,829)	-	(12,037)	-
			<u>(\$ 23,721)</u>	<u>(1)</u>	<u>(\$ 47,310)</u>	<u>(1)</u>
Earnings (loss) per share (in dollars) 6(24)						
9750	Basic earnings (loss) per share		<u>\$ 0.06</u>		<u>(\$ 0.08)</u>	
9850	Diluted earnings (loss) per share		<u>\$ 0.06</u>		<u>(\$ 0.08)</u>	

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

KNH ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Notes	Equity attributable to owners of the parent										Non-controlling interest	Total equity
	Capital Reserves					Other Equity Interest						
	Common stock	Additional paid-in capital	Treasury shares	Others	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total		
	\$ 1,971,268	\$ 134,280	\$ 1,569	\$ 7,766	\$ 188,717	\$ 107,914	\$ 89,104	\$ -	(\$ 19,051)	\$ 2,481,567	\$ 137,052	\$ 2,618,619
Year ended December 31, 2018												
Balance at January 1, 2018												
Effects of retrospective application (Note 1)						8,196		(8,196)				
Balance at January 1 after adjustments	1,971,268	134,280	1,569	7,766	188,717	116,110	89,104	(8,196)	(19,051)	2,481,567	137,052	2,618,619
Loss for the year	-	-	-	-	-	(16,129)	-	-	-	(16,129)	(9,392)	(25,521)
Other comprehensive loss for the year	-	-	-	-	-	(2,173)	(16,186)	(785)	-	(19,144)	(2,645)	(21,789)
Total comprehensive loss	-	-	-	-	-	(18,302)	(16,186)	(785)	-	(35,273)	(12,037)	(47,310)
Appropriations of 2017 earnings (6(17))	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	11,368	(11,368)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(68,377)	-	-	-	(68,377)	-	(68,377)
Retirement of treasury shares (6(15))	(17,540)	(1,195)	(207)	-	-	-	-	-	18,942	-	-	-
Effect due to changes in percentage of ownership in subsidiaries (Note 2)	-	-	-	(7,766)	-	(8,054)	-	-	-	(15,820)	15,820	-
Balance at December 31, 2018	1,953,728	133,085	1,362	\$ -	200,085	10,009	72,918	(8,981)	109	2,362,097	140,835	2,502,932
Year ended December 31, 2019												
Balance at January 1, 2019	1,953,728	133,085	1,362	\$ -	200,085	10,009	72,918	(8,981)	109	2,362,097	140,835	2,502,932
Profit for the year	-	-	-	-	-	11,976	-	-	-	11,976	(3,140)	8,836
Other comprehensive income (loss) for the year	-	-	-	-	-	4,141	(34,009)	-	-	(29,868)	(2,689)	(32,557)
Total comprehensive income (loss)	-	-	-	-	-	16,117	(34,009)	-	-	(17,892)	(5,829)	(23,721)
Cash dividends from capital surplus (6(17))	-	(39,073)	-	-	-	-	-	-	-	(39,073)	-	(39,073)
Disposal of investments in equity instruments designated at fair value through other comprehensive income (6(2))	-	-	-	-	-	(785)	-	785	-	-	-	-
Transactions with non-controlling interest (6(25))	-	-	-	-	-	-	-	-	-	-	(135,006)	(135,006)
Balance at December 31, 2019	1,953,728	94,012	1,362	\$ -	200,085	25,341	38,909	(8,196)	109	2,305,132	\$ -	2,305,132

Note 1: The Group has elected not to restate prior period financial statements using the modified retrospective approach when applying IFRS 9 effective from 2018. Accordingly, the Group increased retained earnings and decreased other equity interest in accordance with the standard in relation to the accumulated impairment losses on financial assets at cost in previous years.

Note 2: The impact of adjustment to capital surplus is due to non-proportional investment in subsidiary's increase in capital.

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

KNH ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		\$ 16,687	(\$ 17,897)
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment losses	12(2)	83	2,662
Depreciation	6(6)(7)(22)	231,549	241,218
Amortisation	6(8)(22)	2,578	4,148
Property, plant and equipment transferred to expenses	6(6)	4,766	1,951
Interest income	6(19)	(4,402)	(4,659)
Impairment loss on financial asset		-	8,617
Loss on disposal of property, plant and equipment	6(20)	6,385	937
Interest expense	6(21)	46,386	37,255
Share of (profit) loss of associates and joint ventures accounted for under equity method	6(5)	(166)	131
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets - current		(3,832)	4,852
Notes receivable, net		5,423	5,512
Accounts receivable, net		(215,007)	(75,136)
Other receivables		5,763	12,404
Inventory		(84,960)	(33,149)
Prepayments		(5,667)	(9,496)
Changes in operating liabilities			
Contract liabilities - current		505	1,891
Notes payable		(2,366)	(950)
Accounts payable		120,095	33,976
Accounts payable - related parties		(488)	(36)
Other payables		726	(12,591)
Provisions for liabilities - current		(5,732)	9,050
Other current liabilities		(30,882)	(7,557)
Other non-current liabilities		(123)	22
Cash inflow generated from operations		87,321	203,155
Interest received		7,135	5,767
Dividends received	6(5)	-	743
Interest paid		(43,896)	(34,694)
Income tax paid		(11,532)	(23,390)
Net cash flows from operating activities		39,028	151,581

(Continued)

KNH ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets at amortised cost		(\$ 121)	\$ -
Decrease in other financial assets (shown as "other current assets" and "other non-current assets")		-	29,086
Acquisition of property, plant and equipment	6(27)	(153,424)	(183,496)
Capitalisation of interest on acquisition of property, plant and equipment	6(27)	(1,918)	(2,456)
Proceeds from disposal of property, plant and equipment		3,081	14,561
Acquisition of intangible assets		(28)	(45)
(Increase) decrease in refundable deposits		(517)	564
Increase in prepayments for business facilities		(13,818)	(20,007)
(Increase) decrease in other non-current assets		(370)	4,410
Net cash flows used in investing activities		(167,115)	(157,383)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings		1,081,197	1,897,387
Repayments of short-term borrowings		(1,077,929)	(1,948,225)
Proceeds from short-term notes and bills payable		-	150,000
Repayments of short-term notes and bills payable		-	(150,000)
Proceeds from long-term debt		971,000	310,000
Repayments of long-term debt		(754,235)	(55,978)
Decrease in guarantee deposits received		(232)	(2,535)
Payments of lease liabilities	6(7)	(5,461)	-
Cash dividends paid	6(17)	-	(68,377)
Cash dividends from capital surplus	6(17)	(39,073)	-
Acquisition of additional equity interest in a subsidiary	6(25)	(135,006)	-
Net cash flows from financing activities		40,261	132,272
Effect of exchange rate changes		(26,624)	(7,135)
Net (decrease) increase in cash and cash equivalents		(114,450)	119,335
Cash and cash equivalents at beginning of year		999,009	879,674
Cash and cash equivalents at end of year		\$ 884,559	\$ 999,009

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

Supervisor's Review Report of the 2019 Financial Statements

Approval of

The 2019 Business Report, Financial Statements (which have been audited by the CPA Pan, Hui-Lin, Chih, Ping-Chun for and on behalf of PricewaterhouseCoopers, Taiwan. In their opinion, the financial statements present fairly the financial position and its financial performance) and Profit Distribution Proposal which have been approved by the Board of Directors have been reviewed and considered to be complied with relevant rules by the undersigned, the supervisor of KNH Enterprise Co., Ltd. According to Article 219 of the Company Act. I hereby submit this report.

Submitted to

The Company's 2020 Annual Shareholders' Meeting

KNH Enterprise Co., Ltd.

Supervisor:

March 31, 2020

KNH Enterprise Co., Ltd.
Regulations Governing the Procedures for Board of Directors Meetings
(before amendments)

Article 1: The Rules are established in accordance with the “Regulations Governing the Procedures for Board of Directors Meetings of Public Companies”. The Company's Board of Directors meetings shall be held in accordance with the Rules.

Article 2: The Company's Board of Directors shall convene the periodic meeting at least once per quarter.

A notice to convene the Company's Board of Directors meeting shall be given to each director and supervisor no later than 7 days prior to the scheduled meeting date. The time, location and cause of the meeting shall be referred to in the notice, provided that the meeting may be convened at any time, in the case of emergency, and the written notice may be replaced by phone, fax or email. No director may raise an objection on the grounds that the notice did not exceed 7 days.

Article 3: The Board of Directors meeting shall be held at the premises and during the business hours of the Company, or at another premises and time convenient for all directors to attend and suitable for holding the meeting.

Article 4: The Company's Financial Dept. shall act as the parliamentary unit of the Board of Directors responsible for drafting motions and preparing sufficient meeting materials, and shall deliver the same together with the notice of the meeting. A director who considers that the meeting materials provided are insufficient may request the parliamentary unit to supplement them. A director who considers that materials concerning any motions are insufficient, the deliberation of such motions may be postponed by a resolution of the Board of Directors.

Article 5: Motions for the period meetings shall include at least the following:

1. Report Items:
 - (1) Minutes of the last meeting and action taken.
 - (2) Important financial and business reports.
 - (3) Internal audit report.
 - (4) Other important matters to be reported.
2. Discussions items:
 - (1) Matters pending discussion retained from last meeting.
 - (2) Matters to be discussed at this meeting.
3. Extraordinary Motions.

Article 6: The following matters shall be proposed to a Board of Directors meeting and specified in the notice of the reasons for convening a board meeting. None of those matters may be raised by an extraordinary motion except in the case of an emergency or for other justified reason.

1. The Company's business plan.
2. Annual financial report.

3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act and assessment of the effectiveness of the internal control system.
4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any operating procedures for material financial or business transactions, such as the acquisition or disposition of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.
5. The offering, issuance, or private placement of equity-type securities.
6. The appointment or discharge of a financial, accounting, or internal audit officer.
7. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following Board of Directors meeting for retroactive recognition.
8. Any matter that, under Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw, must be approved by resolution at a shareholders' meeting or Board of Directors meeting, or any material matter as may be prescribed by the competent authority.

The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year.

The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of directors meeting is convened. Amounts already submitted to and passed by a resolution of the Board of Directors are exempted from inclusion in the calculation.

At least one independent director of the Company shall attend the meeting in person. With respect to the matters that must be approved by resolutions at a Board of Directors meeting referred to in Paragraph 1, any and all independent directors shall attend the meeting. Where an independent director is unable to attend the meeting, the independent director shall appoint another independent director to attend the meeting as proxy. If an independent director objects to or expresses reservations about such a matter, it shall be recorded in the Board of Directors meeting minutes. If an independent director intends to express an objection or reservation but is unable to attend the meeting in person, unless there is a justified reason to do otherwise, the director shall issue a written opinion in advance, which shall be recorded in the Board of Directors meeting minutes.

Article 7: Other than the matters to be proposed at a Board of Directors meeting for discussion referred to in the preceding Article and the matters for which the Chairman of Board may be authorized to exercise the power of the Board of Directors pursuant to laws or the Company's Articles of Incorporation, any additional authorization to the Chairman of Board to exercise the power of the Board of Directors shall be subject to resolution by the Board of Directors.

Article 8: When a Board of Directors meeting is held, an attendance book shall be provided for signing-in by attending directors, which shall be made available for future reference.

Directors shall attend the Board of Director meetings in person. A director unable to attend in person may appoint another director to attend the meeting in his or her place in accordance with the Company's Articles of Incorporation. Attendance by video conference will be deemed attendance in person.

A director who appoints another director to attend a Board of Directors meeting shall in each instance issue a proxy form stating the scope of authorization with respect to the reasons for convening the meeting.

The proxy referred to in Paragraph 2 may be the appointed proxy of only one person.

Article 9: The Board of Director meetings shall be convened and chaired by the Chairman of Board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders' meeting in which the directors are elected. If two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.

Article 10: Subject to the contents of the motions, the Company may notify the personnel from a relevant department or a subsidiary to attend the meeting as a non-voting participant. When necessary, certified public accountants, attorneys-at-law, or other professionals retained by the Company may also be invited to attend the meeting as non-voting participants and to make explanatory statements, provided that they shall recuse themselves from discussion or voting at the meeting.

If a majority of all the directors is not in attendance at the appointed meeting time, the chairperson may announce postponement of the meeting time, provided that no more than two such postponements may be made. If the quorum is still not met after two postponements, the chairperson shall reconvene the meeting in accordance with the procedures in Paragraph 2 of Article 2 herein.

The "all directors" as used in the preceding paragraph shall be counted as the directors then actually in office.

Article 11: A Board of Directors meeting shall follow the agenda given in the meeting notice. The chairperson may not declare the meeting closed without the approval of a majority of the directors in attendance at the meeting.

At any time during the course of a Board of Directors meeting, if the number of directors present at the meeting does not constitute a majority of the present directors, then upon the motion by any director present at the meeting, the chairperson shall declare a suspension of the meeting, in which case Paragraph 1 shall apply *mutatis mutandis*.

Article 12: When the chairperson at a Board of Directors meeting considers that a motion has been discussed sufficiently to put it to a vote, the chairperson may announce the discussion closed and call a vote. When a motion comes to a vote at a Board of Directors meeting, if no present director voices an objection following an inquiry by the chairperson, the motion will be deemed approved.

One voting, voting monitoring and counting method for motions at a Board of Directors meeting shall be selected by the chairperson from among those below, provided that when a present director has an objection, the chairperson shall seek the opinion of the majority to make a decision:

1. A show of hands.
2. A roll call vote.
3. A vote by ballot.

Article 13: Except as otherwise provided by the Securities and Exchange Act and Company Act, the resolution may be adopted only upon approval of a majority of the directors present at the Board of Directors attended by a majority of the all directors. Voting results shall be made known on the spot immediately and recorded in writing.

Article 14: If a director or a juristic person that the director represents is an interested party in relation to a motion, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, the director may not participate in discussion or voting on that motion and shall recuse himself or herself from the discussion or the voting on the motion, and may not exercise voting rights as proxy for another director.

Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a Board of Directors meeting, the provisions of Paragraph 2, Article 180 of the Company Act apply mutatis mutandis in accordance with Paragraph 3, Article 206 of the same Act.

Article 15: Discussions at a Board of Directors meeting shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:

1. The meeting session (or year) and the time and place of the meeting.
2. Chairperson's name.
3. The directors' attendance at the meeting, including the names and the number of directors in attendance, excused, and absent.
4. The names and titles of those attending the meeting as non-voting participants.
5. The name of the minute taker.
6. Report Items.
7. Discussions items: The method of resolution and the result for each motion; a summary of the comments made by directors, supervisors, experts, or other persons. The name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and opinions expressing objections or reservations at the meeting that were included in records or stated in writing.

8. Extraordinary Motions: The name of mover, the method of resolution and the result for each motion; a summary of the comments made by directors, supervisors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and opinions expressing objections or reservations at the meeting that were included in records or stated in writing.
9. Other items that shall be recorded.

The attendance book constitutes part of the minutes for each Board of Directors meeting and shall be retained for the duration of the existence of the Company.

The minutes of a Board of Directors meeting shall bear the signature or seal of both the chairperson and the minute taker, and a copy of the minutes shall be distributed to each director and supervisor within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of the Company.

The meeting minutes may be produced and distributed in an electronic form.

Article 16: Proceedings of a Board of Directors meeting shall be recorded in their entirety in an audio or video form, and the recording shall be retained for a minimum of 5 years. The record may be retained in an electronic form.

If any litigation arises with respect to a resolution of a Board of Directors meeting before the end of the retention period referred to in the preceding paragraph, the relevant audio or video record shall be retained until the conclusion of the litigation.

Where a Board of Directors meeting is held by video conference, the audio or video documentation of the meeting constitutes a part of the meeting minutes and shall be retained for the duration of the existence of the Company.

Article 17: According to Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers, in order to help directors perform their duties effectively, where any director considers that it should be necessary to supplement the materials about any motion proposed at the meeting, the parliamentary unit shall supplement the same within one week, and the parliamentary unit shall also satisfy any other requirement posed by the director within the time limit required by the director.

Article 18: The matters not specified herein shall be duly handled in accordance with the Company Act, Articles of Incorporation of the Company and related laws and regulations.

Article 19: The Regulations shall be enforced upon approval of the Board of Directors, and reported to the latest shareholders' meeting. The same shall apply where the Regulations are amended.

KNH Enterprise Co., Ltd.
Comparative List of Regulations Governing the Procedures for Board of Directors Meetings Before and After Amendments

Article	After amendment	Before amendment	Explanatory Notes
Article 2	<p>The Company's Board of Directors shall convene the periodic meeting at least once per quarter.</p> <p>A notice to convene the Company's Board of Directors meeting shall be given to each <u>director</u> no later than 7 days prior to the scheduled meeting date. The time, location and cause of the meeting shall be referred to in the notice, provided that the meeting may be convened at any time, in the case of emergency, and the written notice may be replaced by phone, fax or email. No director may raise an objection on the grounds that the notice did not exceed 7 days.</p>	<p>The Company's Board of Directors shall convene the periodic meeting at least once per quarter.</p> <p>A notice to convene the Company's Board of Directors meeting shall be given to each director and supervisor no later than 7 days prior to the scheduled meeting date. The time, location and cause of the meeting shall be referred to in the notice, provided that the meeting may be convened at any time, in the case of emergency, and the written notice may be replaced by phone, fax or email. No director may raise an objection on the grounds that the notice did not exceed 7 days.</p>	<p>To accommodate the Company's 2020 by-election for directors (including independent directors) and the replacement of supervisors' duties by establishing an Audit Committee. The word 'supervisor(s)' has therefore been deleted.</p>
Article 9	<p>Board of directors' meetings are called for <u>by the Chairman</u>, who also acts as the chair. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders' meeting in which the directors are elected. If two or more directors are so entitled to convene the meeting, they shall select them from among themselves one director to serve as chair.</p> <p><u>A board meeting shall be convened with the support of more than half of the voting rights and shall choose one person among themselves to act as the chair.</u></p>	<p>The Board of Director meetings shall be convened and chaired by the Chairman of Board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders' meeting in which the directors are elected. If two or more directors are so entitled to convene the meeting, they shall select them from among themselves one director to serve as chair.</p> <p>Add.</p>	<p>A. The text of paragraph 1 has been slightly amended in accordance with the Order No. Jin-Guan-Zheng-Fa-Zhi 10803619346.</p> <p>B. According to the Order No. Jin-Guan-Zheng-Fa-Zhi 10803619346 and the provisions of Paragraph 4, Article 203 and Paragraph 3, Article 203-1, of the Company Act, a board meeting shall be convened with the support of more than half of the voting rights (including the convening of the first session of each</p>

			board of directors' meeting with the support of more than half of the voting rights) and shall choose one person among themselves to act as the chair.
Article 14	<p>If a director or a juristic person that the director represents is an interested party in relation to a motion, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, the director may not participate in discussion or voting on that motion and shall recuse himself or herself from the discussion or the voting on the motion, and may not exercise voting rights as proxy for another director.</p> <p><u>Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.</u></p> <p>Where a director is prohibited by the <u>preceding 2 paragraphs</u> from exercising voting rights with respect to a resolution at a Board of Directors meeting, the provisions of Paragraph 2, Article 180 of the Company Act apply mutatis mutandis in accordance with <u>Paragraph 4, Article 206</u> of the same Act.</p>	<p>If a director or a juristic person that the director represents is an interested party in relation to a motion, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, the director may not participate in discussion or voting on that motion and shall recuse himself or herself from the discussion or the voting on the motion, and may not exercise voting rights as proxy for another director.</p> <p>Add.</p> <p>Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a Board of Directors meeting, the provisions of Paragraph 2, Article 180 of the Company Act apply mutatis mutandis in accordance with Paragraph 3, Article 206 of the same Act.</p>	<p>A. According to the Order No. Jin-Guan-Zheng-Fa-Zhi 10803619346 and Paragraph 3 Article 206 of the Company Act, Paragraph 2 has been added - where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.</p> <p>B. Amended in accordance with Article 206 of the Company Act.</p>

<p>Article 15</p>	<p>Discussions at a Board of Directors meeting shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:</p> <ol style="list-style-type: none"> 1. The meeting session (or year) and the time and place of the meeting. 2. Chairperson’s name. 3. The directors' attendance at the meeting, including the names and the number of directors in attendance, excused, and absent. 4. The names and titles of those attending the meeting as non-voting participants. 5. The name of the minute taker. 6. Report Items 7. Discussions items: The method of resolution and the result for each motion; a summary of the comments made by directors, experts, or other persons. The name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and opinions expressing objections or reservations at the meeting that were included in records or stated in writing. 8. Extraordinary Motions: The name of mover, the method of resolution and the result for each motion; a summary of the comments made by directors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and 	<p>Discussions at a Board of Directors meeting shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:</p> <ol style="list-style-type: none"> 1. The meeting session (or year) and the time and place of the meeting. 2. Chairperson’s name. 3. The directors' attendance at the meeting, including the names and the number of directors in attendance, excused, and absent. 4. The names and titles of those attending the meeting as non-voting participants. 5. The name of the minute taker. 6. Report Items 7. Discussions items: The method of resolution and the result for each motion; a summary of the comments made by directors, supervisors, experts, or other persons. The name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and opinions expressing objections or reservations at the meeting that were included in records or stated in writing. 8. Extraordinary Motions: The name of mover, the method of resolution and the result for each motion; a summary of the comments made by directors, supervisors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and 	<p>To accommodate the Company’s 2020 by-election for directors (including independent directors) and the replacement of supervisors’ duties by establishing an Audit Committee. The word ‘supervisor(s)’ has therefore been deleted.</p>
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	<p>opinions expressing objections or reservations at the meeting that were included in records or stated in writing.</p> <p>9. Other matters required to be noted.</p> <p>The attendance book constitutes part of the minutes for each Board of Directors meeting and shall be retained for the duration of the existence of the Company.</p> <p>The minutes of a Board of Directors meeting shall bear the signature or seal of both the chairperson and the minute taker, and a copy of the minutes shall be distributed to each director within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of the Company.</p> <p>The meeting minutes may be produced and distributed in an electronic form.</p>	<p>opinions expressing objections or reservations at the meeting that were included in records or stated in writing.</p> <p>9. Other matters required to be noted.</p> <p>The attendance book constitutes part of the minutes for each Board of Directors meeting and shall be retained for the duration of the existence of the Company.</p> <p>The minutes of a Board of Directors meeting shall bear the signature or seal of both the chairperson and the minute taker, and a copy of the minutes shall be distributed to each director and supervisor within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of the Company.</p> <p>The meeting minutes may be produced and distributed in an electronic form.</p>	
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**KNH Enterprise Co., Ltd.
2019 Earnings Distribution**

Unit: NTD

Stock dividends allocated to shareholders	Amount
Unappropriated retained earnings, beginning	\$ 10,009,485
Add: net profit after tax	11,974,889
The components of other comprehensive loss that will not be reclassified to profit or loss	4,142,302
Less: 10% legal reserve	(1,197,489)
Disposal of equity instruments measured at fair value through other comprehensive income	(785,220)
Retained earnings available for distribution of December 31, 2019	24,143,967
Less: Working capital reserved under the Articles of Incorporation carried forward into the unallocated earnings of next period.	(24,143,967)
Current stock dividends allocated to shareholders	<u><u>\$ 0</u></u>

Chairman:

General Manager:

Chief Accountant:

KNH Enterprise Co., Ltd.
Articles of Incorporation (before amendments)

CHAPTER 1 GENERAL PROVISIONS

Article 1: The Corporation shall be incorporated as a company limited by shares, under the Company Act of the Republic of China, and its name shall be KNH ENTERPRISE CO., LTD. (康那香企業股份有限公司).

Article 2: The scope of business of the Corporation shall be as follows:

1. F401010 International Trade
2. C601050 Housewares and Tissue Paper Manufacturing
3. CB01010 Machinery and Equipment Manufacturing
4. F113010 Wholesale of Machinery
5. F213080 Retail Sale of Machinery and Equipment
6. CA01990 Other Non-ferrous Metal Basic Industries
7. C303010 Non-woven Fabrics Mills
8. CB01030 Pollution Controlling Equipment Manufacturing
9. F113100 Wholesale of Pollution Controlling Equipments
10. F213100 Retail Sale of Pollution Controlling Equipments
11. F106020 Wholesale of Articles for Daily Use
12. F206020 Retail Sale of Articles for Daily Use
13. CF01011 Medical Materials and Equipment Manufacturing
14. F108031 Wholesale of Drugs, Medical Goods
15. F208031 Retail sale of Medical Equipments
16. CB01990 Other Machinery Manufacturing Not Elsewhere Classified
17. C802041 Drugs and Medicines Manufacturing
18. F108021 Wholesale of Drugs and Medicines
19. F208021 Retail Sale of Drugs and Medicines
20. F108040 Wholesale of Cosmetics
21. F208040 Retail sale of Cosmetics
22. F107030 Wholesale of Cleaning Preparations
23. F207030 Retail Sale of Cleaning Preparations
24. F104110 Wholesale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products
25. F204110 Retail sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products
26. F109070 Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles
27. F209060 Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles
28. C601990 Other Paper Products Manufacturing
29. J101050 Sanitary and Pollution Controlling Services
30. J101060 Wastewater (Sewage) Treatment

- 31. J101030 Waste disposal
- 32. J101040 Waste treatment
- 31. J101080 Waste Recycling
- 31. J101090 Waste Collecting and Disposing
- 35. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3: The head office of the Corporation shall be located in Tainan City, Taiwan, the Republic of China (“R.O.C”). Subject to the approval of the Board, the Company may, if necessary, set up branches or branch business offices both inside and outside of the R.O.C.

Article 4: (Deleted)

CHAPTER 2 CAPITAL STOCK

Article 5: The total capital of the Company is two billion five hundred million New Taiwan Dollars (NTD\$2,500,000,000), divided into Two hundred and fifty million (250,000,000) shares with a par value of Ten New Taiwan Dollars (NTD\$10) each and in registered form.
The Company shall issue the large face-value share certificates for replacement due to mergers per the request of the custodian agency Taiwan Depository & Clearing Corporation.

Article 5-1: The Company's transfer of treasury shares to employees at a price lower than the average price for repurchasing of the shares or offering of employees' stock warrants at a price lower than the closing price prevailing on the date of offering, if any, shall be subject to approval of more than two-thirds of the present shareholders with voting rights at a shareholders' meeting attended by the shareholders representing a majority of the Company's outstanding shares.

Article 6: (Deleted)

Article 7: The share certificates of the Company shall be all in registered form, and assigned serial numbers, be signed or sealed by at least three directors, and issued upon certification by the bank competent to serve as an attester for the issuance of share certificates. The Company may issue shares without printing share certificate(s), and shall appoint a centralized securities custody institution to make recordation of the issue of such shares and comply with the institution's requirements.

Article 8: (Deleted)

Article 9: The shareholders services shall be handled in accordance with the Company Act and relevant rules and regulations of the Republic of China.

Article 10: Registration for transfer of shares shall be suspended sixty (60) days immediately before the date of regular meeting of shareholders, and thirty (30) days immediately before the date of any special meeting of shareholders, or within five (5) days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Corporation.

CHAPTER 3 SHAREHOLDERS' MEETINGS

Article 11: The Company's general shareholders' meeting is categorized into the following:

1. General shareholders' meeting, which shall be convened once a year by the Board of Directors within six months after the close of each fiscal year pursuant to laws.
2. Special shareholders' meeting, which may be convened pursuant to laws, whenever it is necessary.

Article 12: In case a shareholder is unable to attend a shareholders' meeting, such shareholder may issue a proxy in the form issued by the Company, setting forth the scope of authorization by signing and affixing such shareholder's seal on the proxy form for the representative to be present on such shareholder's behalf. A shareholder may only execute one power of attorney and appoint one proxy only. Except for trust enterprises or stock agencies approved by the competent authority, If a person is designated as proxy by more than two shareholders, any of such person's voting rights representing in excess of 3% of the total issued and outstanding shares shall not be considered. The relevant matters related to the use and rescission of the proxy shall be conducted in accordance with the Company Act and applicable rules.

Article 13: Except in the circumstances without voting power set forth in Article 179 of the Company Act, Each share of stock shall be entitled to one vote.

Article 14: Unless otherwise provided in applicable law and regulations, a resolution shall be adopted at a meeting attended by the shareholders holding and representing a majority of the total issued and outstanding shares and at which meeting a majority of the attending shareholders shall vote in favor of the resolution. According to the competent authority's requirements, the shareholders may exercise their voting rights in an electronic form at the general shareholders' meeting 2018. The shareholders who exercise their voting rights in an electronic form shall be deemed to have attended the shareholders' meeting in person. The other related matters shall be implemented in accordance with the relevant laws and regulations.

Article 15: The shareholders' meeting shall be presided over by the Chairman of the Board of Directors of the Corporation. In case the chair of the Board asks for leave or for other reason cannot exercise his power and authority, the Chairman shall designate one of the directors of Board to act on his behalf. In the absence of such a designation, the directors shall elect a designee from among themselves. If shareholders' meetings are convened by another party with the right to call a meeting, that person shall also serve as the chair. If shareholders' meetings are convened by two or more parties with the right to call a meeting, they shall nominate a chair from within their ranks.

Article 16: The resolutions of the shareholders' meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the chop of the Chairperson of the meeting. And the minutes of the meeting shall be distributed to all shareholders within 20 days after the close of the meeting. The production of the proceedings can be electronically distributed and the way is to be announced. The proceedings shall contain the name of the name of the year, month, day, place, place of the meeting, the name of the president, the method of the resolution, and the essentials and results of the procedure. To attend the shareholders' signature book and the proxy to attend the letter of the time, according to the relevant rules.

CHAPTER 4 DIRECTORS AND SUPERVISORS

Article 17: The Company shall have seven to nine directors, two supervisors. The term of office shall be three years, elected by the shareholders' meeting has the capacity of the people, and all Directors shall be eligible for re-election. In case no election of new directors/supervisors is effected after expiration of the term of office of existing directors/supervisors, the term of office of out-going directors/supervisors shall be extended until the time new directors/supervisors have been elected and assumed their office. In the case that vacancies on the Board of Directors exceed, for any reason, one third of the total number of the Directors, then the Board of Directors shall convene a shareholders' meeting within sixty days to elect new Directors to fill such vacancies in accordance with relevant laws, rules and regulations. Except for the election of new Directors across the board, the new Directors or supervisor shall serve the remaining term of the predecessors. The total registered shares owned by the directors and supervisors of a public company should meet the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies". In accordance with Article 14-2 of the Securities and Exchange Act, as of 2017, the Company's independent directors shall not be less than two in number and not less than one-fifth of the total number of directors. Independent directors adopt the nomination system, independent directors elected by the shareholders in the candidate list. The professional qualifications, restrictions on the shareholdings and concurrent positions held, method of nomination and election, and other matters with respect to independent directors shall be in compliance with applicable laws and regulations.

Article 17-1: The Company's election of directors and independent directors shall apply the following requirements as of the general shareholders' meeting 2020: 9~11 directors shall be elected, and the Company shall adopt the candidate nomination system pursuant to Article 192-1 of the Company Act. The directors shall be elected from the name list of candidates for directors and independent directors, who shall hold the position for 3 years and may be reelectable. In the process of electing directors at a shareholders' meeting, the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elected. Said directors shall consist of no less than 3 independent directors, and the independent directors shall be no less than one-fifths of the whole directors.

The professional qualifications, shareholdings and restrictions on concurrent positions held, identification of independence, method of nomination and election, and other matters with respect to independent directors shall be in compliance with applicable laws and regulations.

The Company shall establish the Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act, and have the Audit Committee exercise the powers supposed to be exercised by supervisors in accordance with the Securities and Exchange Act, Company Act and other laws and regulations. The Audit Committee shall consist of the whole independent directors, in accordance with the related laws or the Articles of Incorporation.

The Articles of Association of the Committee shall be established by the Board of Directors separately.

- Article 18: The board of directors shall consist of the directors of the Company; the chairman of the board of directors shall be elected from among the directors by a majority of directors in attendance at a meeting attended by at least two-thirds of the directors. The chairman of the board of directors shall represent the Company in external matters.
- Article 19: Meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors. The Chairman of the Board shall preside at all meetings of the Board of Directors. In case of his absence, Chairman of the Board may designate a Director to act on his behalf; if no Director is designated, the Directors may designate one from among themselves. Seven days prior to the convening of a meeting of the board of directors, notice shall be sent to all directors, specifying the reasons for calling the meeting, though in emergency situations, a meeting may be called whenever necessary. Notice of the convening of a meeting described in the preceding paragraph may be in writing, by fax or by e-mail notification thereof.
- Article 20: Except as otherwise provided by the Company Act and the articles of association, the board of directors shall have a majority of the directors present at the meeting, and the majority of the directors shall be present at the consent of the directors. Unable to attend the board of directors shall, in each issue a proxy lists called authorized scope of the cause appoint another director to attend, but the agent by one person limited commissioned. The Board of Directors meeting may be conducted in the form of video conference. The director's attendance by video conference will be deemed attendance in person. Proceedings of the board of directors shall be recorded in proceedings.
- Article 21: The Board of Directors is authorized to resolve the remuneration to directors and supervisors, subject to their contribution to the Company's operation and the value of the contribution, and based on the typical pay levels adopted by peer companies. The remuneration shall be payable, irrelevant with operating profit or loss generated.
- Article 21-1: (Deleted)
- Article 22: The Company Act is subject to the powers of the board of directors of the Company.
- Article 23: The Company Act is subject to supervision of the authority in the Company

CHAPTER 5 PRESIDENT & VICE PRESIDENTS

- Article 24: The Company shall have one or more managerial personnel. Appointment, dismissal, and remuneration of the president and vice presidents shall be subject to the provisions of Article 29 of the Company Act.

CHAPTER 6 ACCOUNTING

Article 25: The accounting year for the Company is January 1 to December 31 each year. At the end of each fiscal year, the Board of Directors shall prepare the following reports and send them to the supervisor for auditing (to the Audit Committee after the Committee is established) within 30 days prior to the meeting date of a general shareholders' meeting: (1) the business report; (2) financial statements; (3) motion for appropriation of earnings or covering of losses.

Article 26: (Deleted)

Article 27: The Company belongs to industry for weaving, weaving with a wide range of applications, the whole industry demand is still growing. The Company's dividend policy is planned after taking into consideration the Company's current and future entire financial structure, investment plan required for future development, level of the Company's capital and the impact of capital expansion on the level of dividends. The total stock dividends to be distributed shall be no less than 10% of the "distributable surplus" less the earnings retained subject to the overview of operation each year. The dividends shall be distributed in the form of cash dividends as the first priority, and the cash dividends distributed shall be no less than 50% of the total stock dividends to be distributed, while the others shall be distributed in the form of stock dividends. Where the cash dividend is less than NTD\$0.1 per share, it shall be allocated as stock dividend instead.

Where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to recover losses for preceding years. Ten percent (10%) of any remaining net earnings shall be allocated as the Company's legal reserve unless and until the accumulated legal reserve reaches the paid in capital. When the annual shareholders' equity reduction amount from the column when the annual after tax earnings listed in the same amount of special surplus reserve, plus the previous year accumulated undistributed earnings as the "distributable surplus", and depending on operating conditions retain appropriate amount, for the distribution of dividends to shareholders, by the board of directors to the case the shareholders' meeting agreed allocation.

Where the Company retains no allocable earnings or the earnings are far less than the allocable earnings of the previous year, or in consideration of the Company's overview of finance, business and operation, the Company may allocate the reserve instead, in whole or in part, pursuant to laws or the competent authority's requirements.

Subject to the resolution made by a majority of the directors present at a meeting attended by more than two-thirds of the whole directors, the Board of Directors may distribute the stock dividend and bonus to be distributed, capital surplus or legal reserve in cash, in whole or in part, and report the same to the shareholders' meeting, free from the preceding paragraph requiring resolution by a shareholders' meeting.

The Company may, by a resolution adopted by a majority of votes at a meeting of the Board of Directors attended by more than two-thirds of the total number of directors, allocate the remuneration to employees in the form of shares or in cash, and remuneration to directors/supervisors in cash. The allocation shall be reported to a shareholders' meeting. The allocable amount shall be allocated based on the Company's earnings (namely, profit before income tax plus stated remuneration to employees and directors/supervisors) less the loss to be covered in the following manner:

1. Employee bonus: not less than 1%. When the stock dividend is distributed, the distribution object may include the Hypotaxis company employee, which is in conformity with the certain conditions, which shall be prescribed by the board of directors.
2. Remuneration of Directors/Supervisors: no more than 5%.

CHAPTER 7 SUPPLEMENTARY ARTICLES

- Article 28: The Corporation may provide endorsement and guarantee and act as a guarantor.
- Article 29: The total amount of the Company's investment is not subject to the restriction of Article 13 of the Company Act.
- Article 30: In regard to all matters not provided for in these Articles of Incorporation, the Company Act of the Republic of China shall govern.
- Article 31: These Articles of Incorporation are agreed to and signed on December 10, 1971, and the first Amendment was on May 5, 1973, the second Amendment on January 4, 1974, the third Amendment on November 30, 1974, the fourth Amendment on May 12, 1982, the fifth Amendment on December 16, 1982, the sixth Amendment on August 7, 1983, the seventh Amendment on December 24, 1983, the eighth Amendment on June 25, 1985, the ninth Amendment on September 25, 1986, the tenth Amendment on October 28, 1989, the eleventh Amendment on July 6, 1990, the twelfth Amendment on July 28, 1990, the thirteenth Amendment on June 1, 1991, the fourteenth Amendment on July 11, 1991, the fifteenth Amendment on March 26, 1992, the sixteenth Amendment on April 1, 1994, the seventeenth Amendment on April 8, 1995, the eighteenth Amendment on April 2, 1996, the nineteenth Amendment on May 14, 1997, the twentieth Amendment on May 5, 1998, the twenty-first Amendment on May 20, 1999, the twenty-second Amendment on July 13, 1999, the twenty-third Amendment on May 9, 2000, the twenty-fourth Amendment on May 9, 2001, the twenty-fifth Amendment on May 28, 2002, the twenty-sixth Amendment on May 27, 2003, the twenty-seventh Amendment on May 18, 2004, the twenty-eighth Amendment on May 24, 2005, the twenty-ninth Amendment on May 24, 2006, the thirty Amendment on September 28, 2006, the thirty-first Amendment on June 13, 2007, the thirty-second Amendment on June 13, 2008, the thirty-third Amendment on June 9, 2010, the thirty-fourth Amendment on June 9, 2011, the thirty-fifth Amendment on June 13, 2012, the thirty-sixth Amendment on June 16, 2015, the thirty-seventh Amendment on June 17, 2016, and the thirty-eighth Amendment on June 15, and the thirty-ninth Amendment on June 13, 2019.

KNH Enterprise Co., Ltd.
Comparative List of Articles of Incorporation Before and After
Amendments (40th)

Article	After amendment	Before amendment	Explanatory Notes
	CHAPTER 4 DIRECTORS AND the <u>AUDIT COMMITTEE</u>	CHAPTER 4 DIRECTORS AND SUPERVISORS	To accommodate the rule of establishing the Audit Committee to replace supervisors.
Article 17	<p><u>9-11 directors shall be elected, and the Company shall adopt the candidate nomination system pursuant to Article 192-1 of the Company Act. The directors shall be elected from the name list of candidates for directors and independent directors. The term of office of a director is three years; and he/she may be eligible for re-election. In case no election of new directors is effected after expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until the time new directors have been elected and assumed their office. In the process of electing directors at a shareholders' meeting, the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elected.</u> In the case that vacancies on the Board of Directors exceed, for any reason, one third of the total number of the Directors or <u>independent directors</u>, then the Board of Directors shall convene a shareholders' meeting within sixty days starting the date of occurrence to elect new Directors to fill such vacancies in accordance with relevant laws, rules and regulations. Except for the election of new Directors across the board, the new Directors or <u>independent directors</u> shall serve the remaining term of the predecessors.</p>	<p>The Company shall have seven to nine directors, two supervisors, The term of office shall be three years. elected by the shareholders' meeting has the capacity of the people, and all Directors shall be eligible for re-election. In case no election of new directors/supervisors is effected after expiration of the term of office of existing directors/supervisors, the term of office of out-going directors/supervisors shall be extended until the time new directors/supervisors have been elected and assumed their office. In the case that vacancies on the Board of Directors exceed, for any reason, one third of the total number of the Directors, then the Board of Directors shall convene a shareholders' meeting within sixty days to elect new Directors to fill such vacancies in accordance with relevant laws, rules and regulations. Except for the election of new Directors across the board, the new Directors or supervisor shall serve the remaining term of the predecessors. The total registered shares owned by the directors and supervisors of a public company should meet the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies". In accordance with Article 14-2 of the Securities and Exchange Act, as of 2017, the Company's independent directors shall not be less than two in number and not less than one-fifth of the total number of directors. Independent directors adopt the nomination system, independent directors elected by the shareholders in the candidate list. The</p>	<p>A. To accommodate the Company's 2020 by-election for directors (including independent directors) and the replacement of supervisors' duties by establishing an Audit Committee. The word 'supervisor(s)' has therefore been deleted.</p> <p>B. Article 17-1 of the Company's Articles of Incorporation before the amendments will be combined with Article 17 with slight amendment.</p>

	<p><u>Said directors shall consist of no less than 3 independent directors, and the independent directors shall be no less than one-fifths of the whole directors. The professional qualifications, shareholdings and restrictions on concurrent positions held, identification of independence, method of nomination and election, and other matters with respect to independent directors shall be in compliance with applicable laws and regulations.</u></p> <p><u>The Company shall establish the Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act, and have the Audit Committee exercise the powers supposed to be exercised by supervisors in accordance with the Securities and Exchange Act, Company Act and other laws and regulations. The Audit Committee shall consist of the whole independent directors, in accordance with the related laws or the Articles of Incorporation. The Articles of Association of the Committee shall be established by the Board of Directors separately.</u></p>	<p>professional qualifications, restrictions on the shareholdings and concurrent positions held, method of nomination and election, and other matters with respect to independent directors shall be in compliance with applicable laws and regulations.</p> <p>Add.</p> <p>Add.</p>	
Article 17-1	(Deleted)	<p>The Company's election of directors and independent directors shall apply the following requirements as of the general shareholders' meeting 2020: 9~11 directors shall be elected, and the Company shall adopt the candidate nomination system pursuant to Article 192-1 of the Company Act. The directors shall be elected from the name list of candidates for directors and independent directors, who shall hold the position for 3 years and may be reelectable. In the process of electing directors at a shareholders' meeting, the number of votes exercisable in</p>	<p>To accommodate the Company's 2020 by-election for directors (including independent directors) and the replacement of supervisors' duties by establishing an Audit Committee; such article has been changed to Article 17.</p>

		<p>respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elected. Said directors shall consist of no less than 3 independent directors, and the independent directors shall be no less than one-fifths of the whole directors.</p> <p>The professional qualifications, shareholdings and restrictions on concurrent positions held, identification of independence, method of nomination and election, and other matters with respect to independent directors shall be in compliance with applicable laws and regulations.</p> <p>The Company shall establish the Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act, and have the Audit Committee exercise the powers supposed to be exercised by supervisors in accordance with the Securities and Exchange Act, Company Act and other laws and regulations. The Audit Committee shall consist of the whole independent directors, in accordance with the related laws or the Articles of Incorporation. The Articles of Association of the Committee shall be established by the Board of Directors separately.</p>	
Article 19	<p>Meetings of the Board of Directors shall be convened <u>by</u> the Chairman of the Board of Directors. The Chairman of the Board shall preside at all meetings of the Board of Directors. In case of his absence, Chairman of the Board may designate a Director to act on his behalf; if no Director is designated, the Directors may designate one from among themselves. <u>A board meeting shall be convened with the support of more than half</u></p>	<p>Meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors. The Chairman of the Board shall preside at all meetings of the Board of Directors. In case of his absence, Chairman of the Board may designate a Director to act on his behalf; if no Director is designated, the Directors may designate one from among themselves. Seven days prior to the convening of a meeting of the board of</p>	<p>A. To accommodate the Company's 2020 by-election for directors (including independent directors) and the replacement of supervisors' duties by establishing an</p>

	<p><u>of the voting rights and shall choose one person among themselves to act as the chair.</u></p> <p>Seven days prior to the convening of a meeting of the board of directors, notice shall be sent to all <u>directors</u>, specifying the reasons for calling the meeting, though in emergency situations, a meeting may be called whenever necessary. Notice of the convening of a meeting described in the preceding paragraph may be in writing, by fax or by e-mail notification thereof.</p>	<p>directors, notice shall be sent to all directors, specifying the reasons for calling the meeting, though in emergency situations, a meeting may be called whenever necessary. Notice of the convening of a meeting described in the preceding paragraph may be in writing, by fax or by e-mail notification thereof.</p>	<p>Audit Committee. The word ‘supervisor(s)’ has therefore been deleted.</p> <p>B. According to the Order No. Jin-Guan-Zheng-Fa -Zhi 10803619346 - “The appointment method of the chair when the board of directors’ meeting is convened” has been added.</p>
Article 21	<p>The Board of Directors is authorized to resolve the remuneration to directors, subject to their contribution to the Company’s operation and the value of the contribution, and based on the typical pay levels adopted by peer companies. The remuneration shall be payable, irrelevant with operating profit or loss generated.</p>	<p>The Board of Directors is authorized to resolve the remuneration to directors and supervisors, subject to their contribution to the Company’s operation and the value of the contribution, and based on the typical pay levels adopted by peer companies. The remuneration shall be payable, irrelevant with operating profit or loss generated.</p>	<p>To accommodate the Company’s 2020 by-election for directors (including independent directors) and the replacement of supervisors’ duties by establishing an Audit Committee. The word ‘supervisor(s)’ has therefore been deleted.</p>
Article 23	<p><u>(Deleted)</u></p>	<p>The Company Act is subject to supervision of the authority in the company.</p>	<p>To accommodate the Company’s 2020 by-election for directors (including independent directors) and the replacement of supervisors’ duties by establishing an Audit Committee. The word ‘supervisor(s)’ has therefore been deleted.</p>
Article 25	<p>The accounting year for the Company is January 1 to December 31 each year. At the close of each fiscal year, the board of directors shall prepare the following statements and records and shall forward the</p>	<p>The accounting year for the Company is January 1 to December 31 each year. At the end of each fiscal year, the Board of Directors shall prepare the following reports and send them to the supervisor for auditing</p>	<p>To accommodate the Company’s 2020 by-election for directors (including independent directors)</p>

	<p>same to the <u>Audit Committee</u> for their auditing not later than the 30th day prior to the meeting date of a general meeting of shareholders:</p> <ol style="list-style-type: none"> 1. Business Report 2. the financial statements 3. Motions regarding earnings distribution or loss make-up shall be submitted to be acknowledged in the general shareholders' meeting in accordance with the regulatory procedures. 	<p>(to the Audit Committee after the Committee is established) within 30 days prior to the meeting date of a general shareholders' meeting: (1) the business report; (2) financial statements; (3) motion for appropriation of earnings or covering of losses.</p>	<p>and the replacement of supervisors' duties by establishing an Audit Committee. The word 'supervisor(s)' has therefore been deleted.</p>
Article 27	<p>The company belongs to industry for weaving, weaving with a wide range of applications, the whole industry demand is still growing. The Company's dividend policy is planned after taking into consideration the Company's current and future entire financial structure, investment plan required for future development, level of the Company's capital and the impact of capital expansion on the level of dividends. The total stock dividends to be distributed shall be no less than 10% of the "distributable surplus" less the earnings retained subject to the overview of operation each year. The dividends shall be distributed in the form of cash dividends as the first priority, and the cash dividends distributed shall be no less than 50% of the total stock dividends to be distributed, while the others shall be distributed in the form of stock dividends. Where the cash dividend is less than NTD\$0.1 per share, it shall be allocated as stock dividend instead.</p> <p>Where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to recover losses for preceding years. Ten percent (10%) of any remaining net earnings shall be allocated as the Company's legal reserve unless and until the accumulated legal reserve reaches the paid in capital. When the annual shareholders' equity reduction amount from the column when the annual after tax</p>	<p>The company belongs to industry for weaving, weaving with a wide range of applications, the whole industry demand is still growing. The Company's dividend policy is planned after taking into consideration the Company's current and future entire financial structure, investment plan required for future development, level of the Company's capital and the impact of capital expansion on the level of dividends. The total stock dividends to be distributed shall be no less than 10% of the "distributable surplus" less the earnings retained subject to the overview of operation each year. The dividends shall be distributed in the form of cash dividends as the first priority, and the cash dividends distributed shall be no less than 50% of the total stock dividends to be distributed, while the others shall be distributed in the form of stock dividends. Where the cash dividend is less than NTD\$0.1 per share, it shall be allocated as stock dividend instead.</p> <p>Where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to recover losses for preceding years. Ten percent of any remaining net earnings shall be allocated as the Company's legal reserve unless and until the accumulated legal reserve reaches the paid in capital. When the annual shareholders' equity reduction amount from the column when the annual after tax</p>	<p>A. To accommodate the Company's 2020 by-election for directors (including independent directors) and the replacement of supervisors' duties by establishing an Audit Committee. The word 'supervisor(s)' has therefore been deleted.</p> <p>B. According to the Order No. Jin-Shang-Zi 10800540160 and provisions stipulated in Article 240 of the Company Act, some words have been slightly adjusted.</p>

<p>earnings listed in the same amount of special surplus reserve, plus the previous year accumulated undistributed earnings as the “distributable surplus”, and depending on operating conditions retain appropriate amount, for the distribution of dividends to shareholders, by the board of directors to the case the shareholders' meeting agreed allocation.</p> <p>Where the Company retains no allocable earnings or the earnings are far less than the allocable earnings of the previous year, or in consideration of the Company’s overview of finance, business and operation, the Company may allocate the reserve instead, in whole or in part, pursuant to laws or the competent authority’s requirements.</p> <p>Subject to the resolution made <u>by</u> a majority of the directors present at a meeting attended by more than two-thirds of the whole directors, the Board of Directors may distribute the stock dividend and bonus to be distributed, capital surplus or legal reserve in cash, in whole or in part, and report the same to the shareholders’ meeting, free from the preceding paragraph requiring resolution by a shareholders’ meeting.</p> <p>The Company may, by a resolution adopted by a majority of votes at a meeting of the Board of Directors attended by more than two-thirds of the total number of directors, allocate the remuneration to employees in the form of shares or in cash, and remuneration to <u>directors</u> in cash. The allocation shall be reported to a shareholders’ meeting. The allocable amount shall be allocated based on the Company’s earnings (namely, profit before income tax plus stated remuneration to employees and <u>directors</u>) less the loss to be covered in the following manner:</p>	<p>earnings listed in the same amount of special surplus reserve, plus the previous year accumulated undistributed earnings as the “distributable surplus”, and depending on operating conditions retain appropriate amount, for the distribution of dividends to shareholders, by the board of directors to the case the shareholders' meeting agreed allocation.</p> <p>Where the Company retains no allocable earnings or the earnings are far less than the allocable earnings of the previous year, or in consideration of the Company’s overview of finance, business and operation, the Company may allocate the reserve instead, in whole or in part, pursuant to laws or the competent authority’s requirements.</p> <p>Subject to the resolution made by a majority of the directors present at a meeting attended by more than two-thirds of the whole directors, the Board of Directors may distribute the stock dividend and bonus to be distributed, capital surplus or legal reserve in cash, in whole or in part, and report the same to the shareholders’ meeting, free from the preceding paragraph requiring resolution by a shareholders’ meeting.</p> <p>The Company may, by a resolution adopted by a majority of votes at a meeting of the Board of Directors attended by more than two-thirds of the total number of directors, allocate the remuneration to employees in the form of shares or in cash, and remuneration to directors/supervisors in cash. The allocation shall be reported to a shareholders’ meeting. The allocable amount shall be allocated based on the Company’s earnings (namely, profit before income tax plus stated remuneration to employees and directors/supervisors) less the loss to be covered in the following manner:</p>	
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	<p>1. Employee bonus: not less than 1% . When the stock dividend is distributed, the distribution object may include the Hypotaxis company employee, which is in conformity with the certain conditions, which shall be prescribed by the board of directors.</p> <p>2. Remuneration of <u>directors</u>: no more than 5%.</p>	<p>1. Employee bonus: less than 1% . When the stock dividend is distributed, the distribution object may include the Hypotaxis company employee, which is in conformity with the certain conditions, which shall be prescribed by the board of directors.</p> <p>2. Remuneration of directors/supervisors: no more than 5%.</p>	
Article 31	<p>These Articles of Incorporation are agreed to and signed on December 10, 1971 , and the first Amendment was on May 5, 1973, the second Amendment on January 4, 1974, the third Amendment on November 30, 1974, the fourth Amendment on May 12, 1982, the fifth Amendment on December 16, 1982, the sixth Amendment on August 7, 1983, the seventh Amendment on December 24, 1983, and the eighth Amendment on June 25, 1985, the ninth Amendment on September 25, 1986, the tenth Amendment on October 28, 1989, the eleventh Amendment on July 6, 1990, the twelfth Amendment on July 28, 1990, the thirteenth Amendment on June 1, 1991, the fourteenth Amendment on July 11, 1991, the fifteenth Amendment on March 26, 1992, the sixteenth Amendment on April 1, 1994, the seventeenth Amendment on April 8, 1995, the eighteenth Amendment on April 2, 1996, the nineteenth Amendment on May 14, 1997, the twentieth Amendment on May 5, 1998, the twenty-first Amendment on May 20, 1999, the twenty-second Amendment on July 13, 1999, the twenty-third Amendment on May 9, 2000, the twenty-fourth Amendment on May 9, 2001, the twenty-fifth Amendment on May 28, 2002, the twenty-sixth Amendment on May 27, 2003, the twenty-seventh Amendment on May 18, 2004, the twenty-eighth Amendment on May 24, 2005, the twenty-ninth Amendment on May 24, 2006, the thirty Amendment on September 28, 2006, the thirty-first Amendment on June 13, 2007, the thirty-second Amendment on June</p>	<p>These Articles of Incorporation are agreed to and signed on December 10, 1971 , and the first Amendment was on May 5, 1973, the second Amendment on January 4, 1974, the third Amendment on November 30, 1974, the fourth Amendment on May 12, 1982, the fifth Amendment on December 16, 1982, the sixth Amendment on August 7, 1983, the seventh Amendment on December 24, 1983, and the eighth Amendment on June 25, 1985, the ninth Amendment on September 25, 1986, the tenth Amendment on October 28, 1989, the eleventh Amendment on July 6, 1990, the twelfth Amendment on July 28, 1990, the thirteenth Amendment on June 1, 1991, the fourteenth Amendment on July 11, 1991, the fifteenth Amendment on March 26, 1992, the sixteenth Amendment on April 1, 1994, the seventeenth Amendment on April 8, 1995, the eighteenth Amendment on April 2, 1996, the nineteenth Amendment on May 14, 1997, the twentieth Amendment on May 5, 1998, the twenty-first Amendment on May 20, 1999, the twenty-second Amendment on July 13, 1999, the twenty-third Amendment on May 9, 2000, the twenty-fourth Amendment on May 9, 2001, the twenty-fifth Amendment on May 28, 2002, the twenty-sixth Amendment on May 27, 2003, the twenty-seventh Amendment on May 18, 2004, the twenty-eighth Amendment on May 24, 2005, the twenty-ninth Amendment on May 24, 2006, the thirty Amendment on September 28, 2006, the thirty-first Amendment on June 13, 2007, the thirty-second Amendment on June 13, 2008,</p>	<p>Amend the counts of the amendments item by item.</p>

<p>13, 2008, the thirty-third Amendment on June 9, 2010, the thirty-fourth Amendment on June 9, 2011, the thirty-fifth Amendment on June 13, 2012, the thirty-sixth Amendment on June 16, 2015, the thirty-seventh Amendment on June 17, 2016, the thirty-eighteenth Amendment on June 15, 2017, the thirty-ninth Amendment on June 13, 2019, <u>and the Fortieth Amendment on June 11, 2020.</u></p>	<p>the thirty-third Amendment on June 9, 2010, the thirty-fourth Amendment on June 9, 2011, the thirty-fifth Amendment on June 13, 2012, the thirty-sixth Amendment on June 16, 2015, the thirty-seventh Amendment on June 17, 2016, the thirty-eighteenth Amendment on June 15, 2017, the thirty-ninth Amendment on June 13, 2019.</p>	
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KNH Enterprise Co., Ltd.
Rules of Procedure for Shareholders Meetings (before amendments)

Article 1: Shareholders' Meeting of the Company (the "Meeting") shall be conducted in accordance with these Rules and Procedures. Any matter not provided in these Rules and Procedures shall be handled in accordance with relevant laws and regulations.

Article 2: The Company shall identify the time and venue for acceptance of the shareholders' check-in and other requirements to be noted in the shareholders meeting notice.

The time for acceptance of the shareholders' check-in referred to in the preceding paragraph shall be 30 minutes prior to the meeting started. There shall be clear signs at the venue for check-in with adequate staff assigned to handle the process.

Shareholders or their proxies (hereinafter referred to as the shareholders) shall attend the meeting with the attendance certificate, sign-in card, or other documents presented. The proxy solicitors shall have their identity documents ready for verification.

The Company shall prepare a sign-in book to enable the participating shareholders to sign. A participating shareholder may, as well, present his or her sign-in card instead of signing in to prove presence.

The Company shall hand over the Meeting Agenda Handbook, Annual Report, participation certificates, memo to speak, voting ballots and other information and data of the meeting to the shareholders who participate in the shareholders' meeting; along with the election ballots if directors are to be elected in that event.

The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by written or electronic form.

Article 3: The presence and voting in a shareholders' meeting shall be duly calculated based on the number of shares so represented.

Article 4: The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.

Article 5: The Chairman of the Board of Directors shall be the chairman presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. If, for any reason, the Chairman of the Board of Directors cannot preside at the Meeting, the Vice Chairman of the Board of Directors shall preside at the Meeting. When the Chairman or Vice Chairman is on leave or for any reason unable to exercise his/her powers, the Chairman shall appoint one of the managing directors to act as the chairperson, or, if there are no managing directors, one of the directors shall be appointed to act as the chairperson. Where the Chairman does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as the chairperson.

The managing director or director who acts as the chairperson referred to in the preceding paragraph, if any, shall be limited to the one who has held the position for more than six months and has full knowledge of the Company's overview of finance and business.

This same provision is applicable *mutatis mutandis* to an event where the chairperson is the representative of a juristic person director.

If the Meeting is convened by any other person entitled to convene the Meeting, such person shall be the chairman to preside at the Meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

Article 6: The Company may appoint designated counsel, CPA or other related persons to attend the shareholders meeting. The staff taking charge of a shareholders' meeting shall wear identity certificates or armbands.

Article 7: This Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.

The recorded materials of the preceding paragraph shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation

Article 8: Chairperson shall call the Meeting to order at the time scheduled for the Meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the Chairperson may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one - third of the total outstanding shares, tentative resolutions may be made in accordance with Paragraph 1 of Article 175 of the Company Act of the Republic of China. The aforesaid tentative resolutions shall be executed in accordance with relevant provisions of the Company Act of the Republic of China.

If during the process of the Meeting the number of outstanding shares represented by the shareholders present becomes sufficient to constitute the quorum, the chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Act of the Republic of China.

Article 9: The agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda.

The above provision applies *mutatis mutandis* to cases.

where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions) The

shareholders cannot designate any other person as Chairperson and continue the Meeting in the same or other place after the Meeting is adjourned. After close of the said meeting, shareholders shall not elect another chairman to hold another meeting at the same place or at any other place.

Article 10: When a shareholder present at the Meeting wishes to speak, a Speech Note should be filled out with summary of the speech, the shareholder's number (or the number of Attendance Card) and the name of the shareholder. The sequence of speeches by shareholders should be decided by the Chairperson.

If any shareholder present at the Meeting submits a Speech Note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the Speech Note, the contents of actual speech shall prevail.

Unless otherwise permitted by the chairman and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholders, otherwise the chairman shall stop such interruption.

Article 11: Unless otherwise permitted by the chairman, each shareholder shall not, for each discussion item, speak more than two times (each time not exceeding 5 minutes).

In case the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the Chairperson may stop the speech of such shareholder.

Article 12: Any legal entity designated as proxy by a shareholder(s) to be present at the Meeting may appoint only one representative to attend the Meeting.

If a corporate shareholder designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.

Article 13: After the speech of a shareholder, the chairman may respond himself/herself or appoint an appropriate person to respond.

Article 14: The Chairperson may announce to end the discussion of any resolution and go into voting if the Chairperson deems it appropriate.

Article 15: The person(s) to check and the person(s) to record the ballots during a vote by casting ballots shall be appointed by the Chairperson. The person(s) checking the ballots shall be a shareholder(s).

The votes cast at a shareholders' meeting or votes for motions shall be counted openly at the venue where the shareholders' meeting is held, and the result of voting shall be announced at the Meeting and placed on record.

The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by this Corporation, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year.

If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 15-1: Where voting rights are exercised in an electronic form, the method of exercise shall be specified in the shareholders meeting notice.

A shareholder exercising voting rights in an electronic form will be deemed to have attended the meeting in person. But to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that this Corporation avoid the submission of extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to this Corporation 2 days before the date of the shareholders meeting. Unless an explicit statement to revoke the previous declaration is made in a declaration which comes later.

After a shareholder has exercised voting rights by electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Corporation, by the same means by which the voting rights were exercised, 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by electronic means shall prevail. When a shareholder has exercised voting rights both by electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

During voting, where the chairperson solicits and receives no dissent and shareholders who exercise their voting rights in an electronic form show no objection or abstention, the motion is deemed passed, with equivalent force as a resolution by vote.

Article 16: During the Meeting, the Chairperson may, at his discretion, set time for intermission.

Article 17: Except otherwise specified in the Company Act of the Republic of China or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by the chairman.

Article 18: If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.

Article 19: The Chairperson may conduct the disciplinary officers or the security guard to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked "Disciplinary Officers" for identification purpose.

Article 20: These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

KNH Enterprise Co., Ltd.
Comparative List of Rules of Procedure for Shareholders' Meetings
Before and After Amendments

Article	After amendment	Before amendment	Explanatory Notes
Article 9	<p>If a shareholders' meeting is convened for by the Board of Directors, the meeting agenda is to be set by the Board of Directors. <u>Relevant motions (including extraordinary motions and amendments to original motions) should be decided by voting</u>, and the meeting shall be held according to the agenda; without a decision made through a shareholders' meeting, it may not be changed.</p> <p>The above provision applies mutatis mutandis to cases. where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting.</p> <p>The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions) The shareholders cannot designate any other person as Chairperson and continue the Meeting in the same or other place after the Meeting is adjourned.</p> <p>After close of the said meeting, shareholders shall not elect another chairman to hold another meeting at the same place or at any other place.</p>	<p>The agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda.</p> <p>The above provision applies mutatis mutandis to cases. where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting.</p> <p>Unless otherwise resolved at the Meeting, the chairman cannot announce adjournment of the Meeting before all the discussion items (including special motions) listed in the agenda are resolved. The shareholders cannot designate any other person as chairman and continue the Meeting in the same or other place after the Meeting is adjourned.</p> <p>However, in the event that the Chairman adjourns the Meeting in violation of these Rules and Procedures, the shareholders may designate, by a majority of votes represented by shareholders attending the Meeting, one person as chairman to continue the Meeting.</p>	<p>According to the Order No. Jin-Guan-Zheng-Fa-Zhi 1080339900 and to accommodate the adoption of the electronic voting for public companies and to exercise the spirit of voting proposal by proposal.</p>
Article 14	<p><u>For proposals and amendments or extraordinary motions brought forth by shareholders, the chairperson shall give them opportunities to provide sufficient information and discuss.</u> If the said proposals and amendments have fulfilled regulatory requirements and may be submitted for voting, it may be announced that discussions</p>	<p>The Chairperson may announce to end the discussion of any resolution and go into voting if the Chairperson deems it appropriate.</p>	<p>Amendments have been made to avoid the excessive restriction of voting time which resulted in effecting the shareholders' voting right due to being late, in accordance with the</p>

	shall stop and voting shall begin, <u>and an appropriate voting time shall be arranged.</u>		Order No. Jin-Guan-Zheng-Fa-Zhi 1080339900.
Article 16	<p>During the Meeting, the Chairperson may, at his discretion, set time for intermission.</p> <p><u>In cases of force majeure events, the chairperson may decide to hold a meeting for the time being and announce the time for the meeting to continue, depending on the circumstances.</u></p> <p><u>Before the agenda (including extraordinary motions) of a shareholders' meeting is completed yet the venue of the meeting cannot continue to be used, the shareholders meeting may decide to find another place to continue with the meeting.</u></p> <p><u>It may be decided whether the shareholders meeting shall be postponed or continued within five days as required by Article 182 of the Company Act.</u></p>	<p>During the Meeting, the Chairperson may, at his discretion, set time for intermission.</p> <p>Add.</p> <p>Add.</p> <p>Add.</p>	<p>According to the "Rules of Procedure for Shareholders Meetings", some words have been slightly adjusted to be more clear.</p>
Article 15-1	<p>Where voting rights are exercised in a <u>written or</u> electronic form, the method of exercise shall be specified in the shareholders meeting notice.</p> <p>A shareholder exercising voting rights in a <u>written or</u> electronic form will be deemed to have attended the meeting in person. But to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that this Corporation avoid the submission of extraordinary motions and amendments to original proposals.</p>	<p>Where voting rights are exercised in an electronic form, the method of exercise shall be specified in the shareholders meeting notice.</p> <p>A shareholder exercising voting rights in an electronic form will be deemed to have attended the meeting in person. But to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that this Corporation avoid the submission of extraordinary motions and amendments to original proposals.</p>	<p>According to the "Rules of Procedure for Shareholders Meetings", some words have been slightly adjusted to be more clear.</p>

	<p>Instructions to exercise <u>written or</u> electronic votes specified in the preceding paragraph must be delivered to the Company at least 2 days before the shareholders’ meeting. In the event of duplicate submissions, the earliest submission shall be taken into the record. Unless an explicit statement to revoke the previous declaration is made in a declaration which comes later.</p> <p>After a shareholder has exercised voting rights by <u>written or</u> electronic form, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Corporation, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by <u>written or</u> electronic form shall prevail. When a shareholder has exercised voting rights both by <u>written or</u> electronic form <u>written or</u> electronic form and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.</p> <p>During voting, where the chairperson solicits and receives no dissent and shareholders who exercise their voting rights in an electronic form show no objection or abstention, the motion is deemed passed, with equivalent force as a resolution by vote.</p>	<p>A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to this Corporation 2 days before the date of the shareholders meeting. Unless an explicit statement to revoke the previous declaration is made in a declaration which comes later.</p> <p>After a shareholder has exercised voting rights by electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Corporation, by the same means by which the voting rights were exercised, 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by electronic means shall prevail. When a shareholder has exercised voting rights both by electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.</p> <p>During voting, where the chairperson solicits and receives no dissent and shareholders who exercise their voting rights in an electronic form show no objection or abstention, the motion is deemed passed, with equivalent force as a resolution by vote.</p>	
Article 19	<p>The Chairperson may conduct the disciplinary officers or the security guard to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked “Disciplinary Officers” for identification purpose.</p>	<p>The chairman may conduct the disciplinary officers or the security guard to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked "Disciplinary Officers" for identification purpose.</p>	<p>According to the “Rules of Procedure for Shareholders Meetings”, some words have been slightly adjusted.</p>

	<p><u>At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the Chairperson may prevent the shareholder from so doing.</u></p> <p><u>When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.</u></p>	<p>Add.</p> <p>Add.</p>	
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KNH Enterprise Co., Ltd.
Regulations Governing for Loaning Funds to Others (before amendments)

- I. These Procedures are formulated for the compliance of the Company when loaning funds to others.
- II. Content
- Article 1: The Company shall not loan its funds to shareholders or any other persons, except with respect to the following circumstances:
- (1) Companies or firms that have business relationship with the Company.
 - (2) Companies or firms in need of short-term financing with the Company. Such financing amount shall not exceed 40 percent of the lender's net worth. The term "short-term" means one year, or one operating cycle (whichever one is longer). The term "amount of financing" means the accumulated balance of the Company's short-term financing.
- Article 2: Reason and Necessity for Lending Funds to Others:
Matters regarding the Company lending funds to other companies or firms due to business relations shall be handled in accordance with paragraph 1, Article 3; for lending funds to companies or firms which are in need of short-term financing funds , it shall be limited to the following requirements:
- (1) Companies which the Company holds 20 percent or more shares and in need of short-term financing due to business needs.
 - (2) Companies or firms in need of short-term financing due to the purchase of materials or operation needs.
 - (3) Others which have been approved by the board of directors.
- Article 3: The aggregate amount of loans and the maximum amount permitted to a single borrower:
- (1) For companies or firms that have business relationship with the Company, the amount of loans permitted to a single borrower is evaluated be based on the business transactions between the 2 parties and may not exceed 20 percent of the Company's net worth. The "business transaction amount" refers to purchases or sales between the two parties whichever is higher.
 - (2) Companies or firms in need of short-term financing with the Company, the amount of loans permitted to a single borrower is evaluated be based on its working capital needs within one year, and may not exceed 20 percent of the Company's net worth.
 - (3) Under a special situation, if the higher amount of loans permitted to a single borrower is needed, it must be approved by the board of directors before proceeding.
 - (4) The total of loaning of funds as stated above and their accumulated balances shall not exceed 40 percent of the Company's net worth.
- Article 4: Handling and Review Procedures:

- (1) When making financing with associates, a written application must be present. The relevant department of the Company shall first assess its necessity, risk and impact on the Company's operational risks, financial situation and shareholders' equity. The Finance Department determines the interest rate and term which will be submitted to the board of directors for a resolution prior to proceeding.
- (2) When making financing with non-associates, not only it shall be handled according to the previous paragraph, a same amount of guarantee notes shall also be acquired. If necessary, a moderate movable property or real estate mortgage may be registered.
- (3) Loaning funds to others, must be resolved and passed by the Company's board of directors. Loans between the Company and subsidiaries or between different subsidiaries of the Company shall be decided by a resolution of the board of directors within a certain capital limit resolved by the board of directors, and authorization may also be given to the Chairman, within a certain capital limit resolved by the board of directors, for a specific borrowing counterparty and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down. The term "a certain capital limit" as referred to in the paragraph means the authorization limit shall not exceed 10 percent of the Company's net worth as stated in its latest financial statement.

Article 5: Term of Financing and Methods of Interest Calculation:

The term of financing is limited to one year, or one operating cycle (whichever one is longer), and its interest method shall not be lower than the highest interest rate of the Company's short-term loans made from the financial institutions. The interest shall be calculated on a monthly basis.

Article 6: Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights.

The Finance Department shall prepare a memorandum book for its fund-loaning activities and truthfully record the following information: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated under Article 4 of the preceding Article.

After a loan has been disbursed, the financial, business, and credit condition of the borrower and the guarantor shall be monitored on a regular ongoing basis. If collateral has been provided, it shall be monitored for any changes in the collateral value and shall be classified to appropriate allowance loss. The relevant information must be provided to the CPA, and be disclosed in the financial report.

If the borrower repays the loan when or before it becomes due, the interest payable shall first be calculated, and shall be paid together with the principal, before the promissory note may be cancelled and returned to the borrower or the mortgage cancelled.

When a loan becomes due, the borrower shall promptly repay the principal and interest in full. When a loan is due and an extension is required by the borrower, a request must be made in advance, and proceeded with an approval by the board of directors. In the event of breach, the Company may duly dispose of, or pursue recovery from, the borrower's collateral or guarantor.

Article 7: When as a result of a change in circumstances a loan recipient is not in compliance with the requirements of these Regulations Governing or the balance of a loan(s) exceeds the limit stated in Article 3, the Company shall adopt a corrective plan and submit the corrective plan to each supervisor, and shall complete the corrections in compliance with the plan schedule.

Article 8: The internal audit personnel of the Company shall audit the execution situation of these Regulations Governing on a each quarter. If any material violation is found, it shall immediately be reported in writing to each supervisor: Moreover, the Company shall improve the control over subsidiaries. The internal audit personnel shall audit the execution situation of loans subsidiaries make on a regular basis.

Article 9: Announcement and reporting procedures, time limit and contents.

1. The Company shall announce and report the previous month's balance of loans of funds made by itself and its subsidiaries by the 10th day of each month.
2. If the loan meets any of the following circumstances, it shall be reported within two days upon occurrence of the fact, the date of occurrence to be counted as the first day:
 - (1) The balance of loans of funds by the Company and the Company's subsidiaries to others reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
 - (2) The balance of loans of funds by the Company and the Company's subsidiaries to a single borrower reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.
 - (3) The amount of new loans of funds by the Company or any of the Company's subsidiaries reaches NTD\$10 million or more and also reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.

The Company shall announce and report on behalf of any of its subsidiaries that is not a domestic public company any matters that such subsidiary is required to announce and report pursuant to the preceding paragraph.

Article 10: When the Company's relevant personnel violates these Procedures, it shall be handled according to the Company's measures for rewards and disciplines.

III. Other Matters

When subsidiaries of the Company loan funds to others, these Operational Procedures shall be applied, and shall be handled according to relevant requirement.

The Company's financial report is prepared based on International Financial Reporting Standards, the net value referred in this procedure shall refer to equity attributable to owners of the parent as stated in the balance sheet.

"Date of Occurrence" means the earliest of the date of contract signing, date of payment, date of board of directors resolution, or the date that the counterparty and monetary amount of the transaction can be confirmed.

IV. Effectiveness and Amendment

After passage by the Board of Directors, these Procedures shall be submitted to the shareholders meeting for approval. If any director expresses an objection and there is a record or written statement of the objection, the Company shall submit it to the shareholders meeting for discussion. The same procedures shall apply to any amendments to these Procedures.

KNH Enterprise Co., Ltd.
Comparative List of Regulations Governing for Loaning Funds to Others
Before and After Amendments

Article	After amendment	Before amendment	Explanatory Notes
Article 1	<u>Article 1</u> These Procedures are formulated for the compliance of the Company when loaning funds to others.	I. These Procedures are formulated for the compliance of the Company when loaning funds to others.	Change the Article No.
Article 2	<u>Article 2</u> The Company shall not loan its funds to shareholders or any other persons, except with respect to the following circumstances: <ol style="list-style-type: none"> 1. Companies or firms that have business relationship with the Company. 2. Companies or firms in need of short-term financing <u>with the Company</u>. Such financing amount shall not exceed 40 percent of the lender's net worth. The term "short-term" means one year, or one operating cycle (whichever one is longer). <u>The term "amount of financing" means the accumulated balance of the Company's short-term financing.</u> <u>The restriction in Subparagraph 2, Paragraph 1 shall not apply to inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, nor to loans of fund to the Company by any overseas company in which the public company holds, directly or indirectly, 100% of the voting shares. Its aggregate amount of the loan and the amount of the loan to a single borrower are subject to the maximum limit of 100% of the Company's net worth with maximum term of 5 years.</u> <u>When a responsible person of a company violates paragraph 1, the responsible person shall bear joint and several liability with the borrower for repayment; if the Company suffers damage, the responsible person also shall be liable for damages.</u>	II. Content Article 1: The Company shall not loan its funds to shareholders or any other persons, except with respect to the following circumstances: (1) Companies or firms that have business relationship with the Company. (2) Companies or firms in need of short-term financing with the Company. Such financing amount shall not exceed 40 percent of the lender's net worth. The term "short-term" means one year, or one operating cycle (whichever one is longer). The term "amount of financing" means the accumulated balance of the Company's short-term financing. Add. Add.	A. Change the Article No. B. According to the Order No. Jin-Guan-Zheng-Shen-Zhi 1080304826 - Considering that provisions of Article 15 of the Company Act may not be applicable to inter-company loans of funds between overseas companies in which the public company holds, directly or indirectly, 100% of the voting shares and its funding use between departments that are substantially similar; in order to increase the Group's flexibility of the internal funding adjustment use to loans of fund to the public company by any overseas company in which the public company holds, directly or indirectly, 100% of the voting shares - the above is not subject to the restriction of the 40% of the net worth or the term limit of a year. However, to prevent the public company from engaging a large-scale loaning which damages shareholders' equity, restrictions stated in Subparagraph 2, Paragraph 1 shall still apply when the public company makes

			<p>short-term financial to its subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares.</p> <p>C. Adding provisions in regards of objects who violates rules or exceeds the limit when the Company makes short-term financial, the person in charge of the Company shall be liable for the responsibility as well as the compensation for the loss.</p>
Article 3	<p><u>Article 3:</u> Reason and Necessity for Lending Funds to Others: Matters regarding the Company lending funds to other companies or firms due to business relations shall be handled in accordance with <u>Paragraph 1, Article 4</u>; for lending funds to companies or firms which are in need of short-term financing funds , it shall be limited to the following requirements:</p> <ol style="list-style-type: none"> 1. Companies which the Company holds 20 percent or more shares and in need of short-term financing due to business needs. 2. Companies or firms in need of short-term financing due to the purchase of materials or operation needs. 3. Others which have been approved by the board of directors. 	<p>Article 2: Reason and Necessity for Lending Funds to Others: Matters regarding the Company lending funds to other companies or firms due to business relations shall be handled in accordance with paragraph 1, Article 3; for lending funds to companies or firms which are in need of short-term financing funds , it shall be limited to the following requirements:</p> <ol style="list-style-type: none"> (1) Companies which the Company holds 20 percent or more shares and in need of short-term financing due to business needs. (2) Companies or firms in need of short-term financing due to the purchase of materials or operation needs. (3) Others which have been approved by the board of directors. 	<p>A. Change the Article No. B. Due to change of the article number, the paragraph has changed too.</p>
Article 4	<p><u>Article 4</u> The aggregate amount of loans and the maximum amount permitted to a single borrower:</p> <ol style="list-style-type: none"> 1. For companies or firms that have business relationship with the Company, the amount of loans permitted to a single borrower is evaluated be based on the business transactions between the 2 parties and may 	<p>Article 3: The aggregate amount of loans and the maximum amount permitted to a single borrower:</p> <ol style="list-style-type: none"> (1) For companies or firms that have business relationship with the Company, the amount of loans permitted to a single borrower is evaluated be based on the business transactions between the 2 	<p>Change the Article No.</p>

	<p>not exceed 20 percent of the Company’s net worth. The “business transaction amount” refers to purchases or sales between the two parties whichever is higher.</p> <p>2. Companies or firms in need of short-term financing with the Company, the amount of loans permitted to a single borrower is evaluated be based on its working capital needs within one year, and may not exceed 20 percent of the Company’s net worth.</p> <p>3. Under a special situation, if the higher amount of loans permitted to a single borrower is needed, it must be approved by the board of directors before proceeding.</p> <p>4. The total of loaning of funds as stated above and their accumulated balances shall not exceed 40 percent of the Company's net worth.</p>	<p>parties and may not exceed 20 percent of the Company’s net worth. The “business transaction amount” refers to purchases or sales between the two parties whichever is higher.</p> <p>(2) Companies or firms in need of short-term financing with the Company, the amount of loans permitted to a single borrower is evaluated be based on its working capital needs within one year, and may not exceed 20 percent of the Company’s net worth.</p> <p>(3) Under a special situation, if the higher amount of loans permitted to a single borrower is needed, it must be approved by the board of directors before proceeding.</p> <p>(4) The total of loaning of funds as stated above and their accumulated balances shall not exceed 40 percent of the Company's net worth.</p>	
Article 5	<p><u>Article 5</u> Handling and Review Procedures:</p> <p>1. When making financing with associates, a written application must be present. The relevant department of the Company shall first assess its necessity, risk and impact on the Company’s operational risks, financial situation and shareholders’ equity. The <u>Finance Department</u> determines the interest rate and term which will be submitted to the board of directors for a resolution prior to proceeding.</p> <p>2. When making financing with non-associates, not only it shall be handled according to the previous paragraph, a same amount of guarantee notes shall also be acquired. If necessary, a moderate movable property or real estate mortgage may be registered.</p> <p>3. Loaning funds to others must be resolved and passed by the Company’s board of directors. Loans between the Company and subsidiaries or between different subsidiaries of the Company shall be</p>	<p>Article 4: Handling and Review Procedures:</p> <p>(1) When making financing with associates, a written application must be present. The relevant department of the Company shall first assess its necessity, risk and impact on the Company’s operational risks, financial situation and shareholders’ equity. The Finance Department determines the interest rate and term which will be submitted to the board of directors for a resolution prior to proceeding.</p> <p>(2) When making financing with non-associates, not only it shall be handled according to the previous paragraph, a same amount of guarantee notes shall also be acquired. If necessary, a moderate movable property or real estate mortgage may be registered.</p> <p>(3) Loaning funds to others must be resolved and passed by the Company’s board of directors. Loans between the Company and subsidiaries or between different subsidiaries of the Company</p>	<p>A. Change the Article No. B. According to the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, some words have been slightly adjusted to be more clear. C. Amendment made due to the newly added Subparagraph 2, Article 2.</p>

	<p>decided by a resolution of the board of directors within a certain capital limit resolved by the board of directors, and authorization may also be given to the Chairman, within a certain capital limit resolved by the board of directors, for a specific borrowing counterparty and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down. <u>In addition to complying with the requirements formulated in Subparagraph 2, Article 2,</u> the term “a certain capital limit” as referred to in the paragraph also means the authorization limit shall not exceed 10 percent of the Company's net worth as stated in its latest financial statement.</p>	<p>shall be decided by a resolution of the board of directors within a certain capital limit resolved by the board of directors, and authorization may also be given to the Chairman, within a certain capital limit resolved by the board of directors, for a specific borrowing counterparty and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down. The term “a certain capital limit” as referred to in the paragraph means the authorization limit shall not exceed 10 percent of the Company's net worth as stated in its latest financial statement.</p>	
Article 6	<p><u>Article 6</u> Term of Financing and Methods of Interest Calculation: The term of financing is limited to one year, or one operating cycle (whichever one is longer), and its interest method shall not be lower than the highest interest rate of the Company’s short-term loans made from the financial institutions. The interest shall be calculated on a monthly basis.</p>	<p>Article 5: Term of Financing and Methods of Interest Calculation: The term of financing is limited to one year, or one operating cycle (whichever one is longer), and its interest method shall not be lower than the highest interest rate of the Company’s short-term loans made from the financial institutions. The interest shall be calculated on a monthly basis.</p>	Change the Article No.
Article 7	<p><u>Article 7</u> Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights: The Finance Department shall prepare a memorandum book for its fund-lending activities and truthfully record the following information: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated under <u>Article 5</u> of the preceding Article. After a loan has been disbursed, the financial, business, and credit condition of the borrower and the guarantor shall be monitored on a regular ongoing basis. If collateral has been provided, it shall be monitored for any</p>	<p>Article 6: Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights: The Finance Department shall prepare a memorandum book for its fund-lending activities and truthfully record the following information: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated under Article 4 of the preceding Article. After a loan has been disbursed, the financial, business, and credit condition of the borrower and the guarantor shall be monitored on a regular ongoing basis. If collateral has been provided, it shall be</p>	<p>A. Change the Article No. B. Due to change of the article number, the paragraph has changed too.</p>

	<p>changes in the collateral value and shall be classified to appropriate allowance loss. The relevant information must be provided to the CPA, and be disclosed in the financial report.</p> <p>If the borrower repays the loan when or before it becomes due, the interest payable shall first be calculated, and shall be paid together with the principal, before the promissory note may be cancelled and returned to the borrower or the mortgage cancelled.</p> <p>When a loan becomes due, the borrower shall promptly repay the principal and interest in full. When a loan is due and an extension is required by the borrower, a request must be made in advance, and proceeded with an approval by the board of directors. In the event of breach, the Company may duly dispose of, or pursue recovery from, the borrower's collateral or guarantor.</p>	<p>monitored for any changes in the collateral value and shall be classified to appropriate allowance loss. The relevant information must be provided to the CPA, and be disclosed in the financial report.</p> <p>If the borrower repays the loan when or before it becomes due, the interest payable shall first be calculated, and shall be paid together with the principal, before the promissory note may be cancelled and returned to the borrower or the mortgage cancelled.</p> <p>When a loan becomes due, the borrower shall promptly repay the principal and interest in full. When a loan is due and an extension is required by the borrower, a request must be made in advance, and proceeded with an approval by the board of directors. In the event of breach, the Company may duly dispose of, or pursue recovery from, the borrower's collateral or guarantor.</p>	
Article 8	<p><u>Article 8</u></p> <p>When as a result of a change in circumstances a loan recipient is not in compliance with the requirements of these Regulations Governing or the balance of a loan(s) exceeds the limit stated in <u>Article 4</u>, the Company shall adopt a corrective plan and submit the corrective plan to the <u>Audit Committee</u>, and shall complete the corrections in compliance with the plan schedule.</p>	<p>Article 7:</p> <p>When as a result of a change in circumstances a loan recipient is not in compliance with the requirements of these Regulations Governing or the balance of a loan(s) exceeds the limit stated in Article 3, the Company shall adopt a corrective plan and submit the corrective plan to each supervisor, and shall complete the corrections in compliance with the plan schedule.</p>	<p>A. Due to change of the article, the paragraph has changed too.</p> <p>B. To accommodate the Company's 2020 by-election for directors (including independent directors) and the replacement of supervisors' duties by establishing an Audit Committee.</p>
Article 9	<p><u>Article 9</u></p> <p>The internal audit personnel of the Company shall audit the execution situation of these Regulations Governing on a each quarter. If any material violation is found, it shall immediately be reported in writing to the <u>Audit Committee</u>. Moreover, the Company shall improve the control over subsidiaries. The internal audit personnel shall audit the execution situation of loans subsidiaries make on a regular basis.</p>	<p>Article 8:</p> <p>The internal audit personnel of the Company shall audit the execution situation of these Regulations Governing on a each quarter. If any material violation is found, it shall immediately be reported in writing to each supervisor: Moreover, the Company shall improve the control over subsidiaries. The internal audit personnel shall audit the execution situation of loans subsidiaries make on a regular basis.</p>	<p>A. Change the Article No.</p> <p>B. To accommodate the Company's 2020 by-election for directors (including independent directors) and the replacement of supervisors' duties by establishing an Audit Committee.</p>

<p>Article 10</p>	<p><u>Article 10</u> Announcement and reporting procedures, time limit and contents: 1. The Company shall announce and report the previous month's balance of loans of funds made by itself and its subsidiaries by the 10th day of each month. 2. If the loan meets any of the following circumstances, it shall be reported within two days upon occurrence of the fact, the date of occurrence to be counted as the first day: (1) The balance of loans of funds by the Company and <u>its</u> subsidiaries to others reaches 20 percent or more of the Company's net worth as stated in its latest financial statement. (2) The balance of loans of funds by the Company and <u>its</u> subsidiaries to a single borrower reaches 10 percent or more of the Company's net worth as stated in its latest financial statement. (3) The amount of new loans of funds by the Company <u>or its</u> Company's subsidiaries reaches NTD\$10 million or more and also reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>The Company shall announce and report on behalf of any of its subsidiaries that is not a domestic public company any matters that such subsidiary is required to announce and report pursuant to the preceding paragraph.</p>	<p>Article 9: Announcement and reporting procedures, time limit and contents: 1. The Company shall announce and report the previous month's balance of loans of funds made by itself and its subsidiaries by the 10th day of each month. 2. If the loan meets any of the following circumstances, it shall be reported within two days upon occurrence of the fact, the date of occurrence to be counted as the first day: (1) The balance of loans of funds by the Company and subsidiaries to others reaches 20 percent or more of the Company's net worth as stated in its latest financial statement. (2) The balance of loans of funds by the Company and subsidiaries to a single borrower reaches 10 percent or more of the Company's net worth as stated in its latest financial statement. (3) The amount of new loans of funds by the Company or any of the Company's subsidiaries reaches NTD\$10 million or more and also reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>The Company shall announce and report on behalf of any of its subsidiaries that is not a domestic public company any matters that such subsidiary is required to announce and report pursuant to the preceding paragraph.</p>	<p>A. Change the Article No. B. According to the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, some words have been slightly adjusted to be more clear.</p>
<p>Article 11</p>	<p><u>Article 11</u> When the Company’s relevant personnel violates these Procedures, it shall be handled according to the Company’s measures for rewards and disciplines.</p>	<p>Article 10: When the Company’s relevant personnel violates these Procedures, it shall be handled according to the Company’s measures for rewards and disciplines.</p>	<p>Change the Article No.</p>
<p>Article 12</p>	<p><u>Article 12</u> When subsidiaries of the Company loan funds to others, these Regulations Governing shall be applied, and shall be handled according to relevant requirement.</p>	<p>III. Other Matters When subsidiaries of the Company loan funds to others, these Regulations Governing shall be applied, and shall be handled according to relevant requirement.</p>	<p>A. Change the Article No. B. To accommodate the requirements of the Order No. Jin-Guan-Zheng-Shen-Zhi</p>

	<p>The Company’s financial report is prepared based on International Financial Reporting Standards, the net value referred in this procedure shall refers to equity attributable to owners of the parent as stated in the balance sheet.</p> <p>“Date of Occurrence” means the earliest of the date of contract signing, date of payment, date of board of directors resolution, or the date that <u>the counterparty</u> and monetary amount of the loan can be confirmed.</p>	<p>The Company’s financial report is prepared based on International Financial Reporting Standards, the net value referred in this procedure shall refers to equity attributable to owners of the parent as stated in the balance sheet.</p> <p>“Date of Occurrence” means the earliest of the date of contract signing, date of payment, date of board of directors resolution, or the date that the counterparty and monetary amount of the transaction can be confirmed.</p>	<p>1080304826 - considering loaning funds is not in transaction nature, some words have been slightly amended.</p>
<p>Article 13</p>	<p><u>Article 13</u> Effectiveness and Amendment: When the Company establishes or amends these Regulations Governing, the approval of one-half or more of all audit committee members, and furthermore shall be <u>submitted for a resolution by the board of directors; it shall be enforced after being approved by the shareholders meeting.</u> If any director expresses dissent and it is contained in the minutes or a written statement, <u>the Company</u> shall submit the director's dissenting opinion to the <u>Audit Committee</u>, then to the shareholders meeting for discussion. The same shall apply to amendments.</p> <p><u>If approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms “all audit committee members” i and “all directors” shall be counted as the actual number of persons currently holding those positions.</u></p>	<p>IV. Effectiveness and Amendment: After passage by the Board of Directors, these Procedures shall be submitted to the shareholders meeting for approval. If any director expresses an objection and there is a record or written statement of the objection, the Company shall submit it to the shareholders meeting for discussion. The same procedures shall apply to any amendments to these Procedures.</p> <p>Add.</p>	<p>A. Change the Article No. B. To accommodate the Order No. Jin-Guan-Zheng-Shen-Zhi 1080304826 the Company’s 2020 by-election for directors (including independent directors) and the replacement of supervisors’ duties by establishing an Audit Committee. However, according to Article 14-5 of the Securities and Exchange Act which states that the duties of the Audit Committees include establishing or amending loaning funds to others. In reference to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, relevant provisions have been amended.</p>

KNH Enterprise Co., Ltd.
Regulations Governing for Making Endorsements and Guarantees
(before amendments)

1. These Measures are enforced when the Company makes external endorsements/guarantees.
2. Endorsements and guarantees referred to in these Rules include
 - (1) Financing endorsements and guarantees: refer to bill discounting; any endorsement or guarantee made to meet financing needs of another company; and issuance of any separate negotiable instrument to a non-financial enterprise as security to meet financing needs of the Company itself.
 - (2) Customs duty endorsements and guarantees: refers to any endorsement or guarantee made for the Company itself or another company with respect to customs duty matters.
 - (3) Other endorsements and guarantees: refers to any endorsement or guarantee beyond the scope of the above two subparagraphs.
 - (4) Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these Rules.
3. Entities for Which the Company May Make Endorsements/Guarantees
 - (1) Companies who have a business relationship with the Company.
 - (2) A company in which the Company directly or indirectly holds more than fifty percent (50%) of the voting shares.
 - (3) A company that directly or indirectly holds more than fifty percent (50%) of the voting shares in the Company.
 - (4) Companies in which the Company holds, directly or indirectly, ninety percent (90%) or more of the voting shares may make endorsements/guarantees for each other.
 - (5) In a case where the Company makes an endorsement/guarantee for a jointly invested company where all capital contributing shareholders make endorsement/guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsement/guarantees may be made free of the restrictions of the preceding 4 paragraphs.
4. Restriction of Endorsement/Guarantees Amount and Authorization Level

The limits on the aggregate amount of endorsements and guarantees made by the Company itself, or any single entity and authorization level, are as follows:

 - (1) The cumulative aggregate amount of external endorsements and guarantees may not reach 40 percent of the Company's net worth as stated in the Company's latest financial statements.

- (2) The aggregate amount of endorsements and guarantees for any single enterprise may not exceed 20 percent of the Company's net worth as stated in the Company's latest financial statements.
- (3) The aggregate amount of endorsements and guarantees made for a company with which the Company has business relations may not exceed the amount of the business transacted between the two parties or NTD\$20 million whichever is lower. The “business transaction amount” refers to purchases or sales between the two parties whichever is higher.
- (4) Endorsements and guarantees may be made between companies in which the Company directly and/or indirectly holds 90 percent or more of the voting shares. The amount thereof may not exceed 10 percent of the Company’s net worth. Provided that this restriction shall not apply to endorsements and guarantees between companies in which the Company directly and/or indirectly holds 100 percent of the voting shares.
- (5) The cumulative aggregate amount of liability for external endorsements and guarantees made by the Company and its subsidiaries may not reach 50 percent of the Company's net worth as stated in the Company's latest financial statements.

When making endorsements and guarantees, it shall be submitted to the board of directors for approval.

When the Company needs to exceed the limits set out in these Rules to satisfy its business requirements, provided that the conditions set forth in the Procedures are complied with, the Company shall obtain approval from the Board of Directors and over half of all the Directors shall also jointly endorse the potential loss that may be brought about by the exceeding of the limits. The Procedures should be amended accordingly and the amendment should be submitted at the shareholders’ meeting for approval. If the shareholders do not approve, the Company shall adopt a plan to discharge the amount in excess within a given time limit.

For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, other than reviewing the risk assessment on the necessity and rationality of its endorsement and guarantee in accordance with Article 5, the Company shall require such subsidiary to submit rectification plans and on a quarterly basis submit its operation results to the Board of Directors for the Board’s review.

If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made no longer meets the requirements of the Procedures, or the amount of endorsement/guarantee exceeds the limit, the Finance Department shall adopt rectification plans and submit the rectification plans each supervisor.

5. Handling and Review Procedures

- (1) When handling endorsements and guarantees, upon the application of the unit responsible for the endorsement or guarantee, establish credit and risk assessment data, and shall assess the necessity and reasonableness of the endorsement or guarantee, and its impact on the Company's operational risk, financial condition, and shareholders equity, as well as whether collateral shall be obtained and the assessed value of the collateral, with an assessment record and have it submitted for an approval by someone with authorization level.
- (2) The Finance Department shall prepare a memorandum containing its endorsement/guarantee activities and truthfully record the following information: the subject of the endorsement/guarantee, the name of the party for whom the endorsement/guarantee was made, the result of the risk evaluation, the amount of the endorsement/guarantee, the content of the collateral, and the condition and date for discharging the obligation of the endorser and/or guarantor.
- (3) The internal audit personnel of the Company shall audit the execution situation of the Operational Procedures for Endorsements/Guarantees at least once each quarter. If any material violation is found, it shall immediately be reported in writing to each supervisor: Moreover, the Company shall improve the control over subsidiaries. The internal audit personnel shall audit the execution situation of endorsement/guarantee subsidiaries make on a regular basis.

6. Procedures for Use and Custody of Seals

The corporate chop shall be kept in the custody of a designated person and may be used to seal or negotiable instruments only in compliance with prescribed procedures, and its relevant personnel shall be assigned by the Chairman or the president upon authorization by the board of directors. When providing a guarantee to a non-Republic of China company, the guarantee letter should be executed and signed by an authorized person. The dedicated seals for purposes of endorsements and guarantees are the corporate seals registered with the Ministry of Economic Affairs.

7. The Finance Department should periodically evaluate and record contingent losses of the endorsements or guarantees, and shall adequately disclose relevant information in financial reports, and provide relevant information to certified public accountants for implementation of necessary audit procedures

8. Announcement and reporting procedures, time limit and contents.

- (1) The Company shall announce and report the previous month's balance of endorsements or guarantees made by itself and its subsidiaries by the 10th day of each month.
- (2) If the Company's endorsements and guarantees reach one of the following levels, the Company shall announce and report such fact within two days of the Date of Occurrence with the Date of Occurrence counted as the first day and enter data to the information reporting website designated by the competent authority:

- A. The balance of endorsements or guarantees by the Company and the Company's subsidiaries to others reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.
 - B. The balance of endorsements or guarantees by the Company and the Company's subsidiaries to a single borrower reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
 - C. The Company and its subsidiaries' balance of endorsements/guarantees to one single enterprise reaches NTD\$10 million or more, and the aggregate value of all endorsements/guarantees for, investments of a long-term nature in, and balance of loans to such enterprise reaches thirty percent (30%) or more of the Company's net worth.
 - D. The amount of new endorsements/guarantees by the Company or any of the Company's subsidiaries reaches NTD\$30 million or more and also reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.
- (3) The Company shall announce and report on behalf of any of its subsidiaries that are not a domestic public company any matters that such subsidiary is required to announce and report pursuant to the preceding paragraph, subparagraph 4.
 - (4) "Date of Occurrence" means the earliest of the date of contract signing, date of payment, date of board of directors resolution, or the date that the counterparty and monetary amount of the transaction can be confirmed.
 - (5) The Company's financial report is prepared based on International Financial Reporting Standards, the net value referred in this procedure shall refer to equity attributable to owners of the parent as stated in the balance sheet.
- 9. When subsidiaries of the Company make endorsements/guarantees, these Operational Procedures shall be applied, and shall be handled according to relevant requirement.
 - 10. When the Company's relevant personnel violates these Procedures, it shall be handled according to the Company's measures for rewards and disciplines.
 - 11. After passage by the Board of Directors, these Measures shall be submitted to the shareholders meeting for approval. If any director expresses an objection and there is a record or written statement of the objection, the Company shall submit it to the shareholders meeting for discussion. The same procedures shall apply to any amendments to these Procedures.

KNH Enterprise Co., Ltd.
Comparative List of Regulations Governing for Making Endorsements and Guarantees
Before and After Amendments

Article	After amendment	Before amendment	Explanatory Notes
Article 1	These Measures are enforced when the Company makes external endorsements/guarantees.	1. These Measures are enforced when the Company makes external endorsements/guarantees.	Change of article expression.
Article 2	Endorsements and guarantees referred to in these Rules include: <u>1.</u> Financing endorsements and guarantees: refer to bill discounting; any endorsement or guarantee made to meet financing needs of another company; and issuance of any separate negotiable instrument to a non-financial enterprise as security to meet financing needs of the Company itself. <u>2.</u> Customs duty endorsements and guarantees: refers to any endorsement or guarantee made for the Company itself or another company with respect to customs duty matters. <u>3.</u> Other endorsements and guarantees: refers to any endorsement or guarantee beyond the scope of the above two subparagraphs. <u>4.</u> Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these Rules.	2. Endorsements and guarantees referred to in these Rules include (1) Financing endorsements and guarantees: refer to bill discounting; any endorsement or guarantee made to meet financing needs of another company; and issuance of any separate negotiable instrument to a non-financial enterprise as security to meet financing needs of the Company itself. (2) Customs duty endorsements and guarantees: refers to any endorsement or guarantee made for the Company itself or another company with respect to customs duty matters. (3) Other endorsements and guarantees: refers to any endorsement or guarantee beyond the scope of the above two subparagraphs. (4) Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these Rules.	Change of article expression.
Article 3	Entities for Which the Company May Make Endorsements/Guarantees: <u>1.</u> Companies who have a business relationship with the Company. <u>2.</u> A company in which the Company directly or indirectly holds more than fifty percent (50%) of the voting shares. <u>3.</u> A company that directly or indirectly holds more than fifty percent (50%) of the voting shares in the Company.	3. Entities for Which the Company May Make Endorsements/Guarantees: (1) Companies who have a business relationship with the Company. (2) A company in which the Company directly or indirectly holds more than fifty percent (50%) of the voting shares. (3) A company that directly or indirectly holds more than fifty percent (50%) of the voting shares	According to the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, some words have been slightly adjusted to be more clear.

	<p>4. Companies in which the Company holds, directly or indirectly, ninety percent (90%) or more of the voting shares may make endorsements/guarantees for each other.</p> <p>5. In a case where the Company makes an endorsement/guarantee for a jointly invested company where all capital contributing shareholders make endorsement/guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsement/guarantees may be made free of the restrictions of the preceding 4 paragraphs <u>The term “capital contribution” referred to in the preceding paragraph shall mean capital contribution directly by the public company, or through a company in which the public company holds 100% of the voting shares.</u></p>	<p>in the Company.</p> <p>(4) Companies in which the Company holds, directly or indirectly, ninety percent (90%) or more of the voting shares may make endorsements/guarantees for each other.</p> <p>(5) In a case where the Company makes an endorsement/guarantee for a jointly invested company where all capital contributing shareholders make endorsement/guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsement/guarantees may be made free of the restrictions of the preceding 4 paragraphs.</p>	
<p>Article 4</p>	<p>Restriction of Endorsement/Guarantees Amount and Authorization Level: The limits on the aggregate amount of endorsements and guarantees made by the Company itself, or any single entity and authorization level, are as follows:</p> <p>1. The cumulative aggregate amount of external endorsements and guarantees may not reach 40 percent of the Company's net worth as stated in the Company's latest financial statements.</p> <p>2. The aggregate amount of endorsements and guarantees for any single enterprise may not exceed 20 percent of the Company's net worth as stated in the Company's latest financial statements.</p>	<p>4. Restriction of Endorsement/Guarantees Amount and Authorization Level: The limits on the aggregate amount of endorsements and guarantees made by the Company itself, or any single entity and authorization level, are as follows:</p> <p>(1) The cumulative aggregate amount of external endorsements and guarantees may not reach 40 percent of the Company's net worth as stated in the Company's latest financial statements.</p> <p>(2) The aggregate amount of endorsements and guarantees for any single enterprise may not exceed 20 percent of the Company's net worth as stated in the Company's latest financial statements.</p>	<p>To accommodate the Company's 2020 by-election for directors (including independent directors) and the replacement of supervisors' duties by establishing an Audit Committee.</p>

<p><u>3.</u> The aggregate amount of endorsements and guarantees made for a company with which the Company has business relations may not exceed the amount of the business transacted between the two parties or NTD\$20 million whichever is lower. The “business transaction amount” refers to purchases or sales between the two parties whichever is higher.</p> <p><u>4.</u> Endorsements and guarantees may be made between companies in which the Company directly and/or indirectly holds 90 percent or more of the voting shares. The amount thereof may not exceed 10 percent of the Company’s net worth. Provided that this restriction shall not apply to endorsements and guarantees between companies in which the Company directly and/or indirectly holds 100 percent of the voting shares.</p> <p><u>5.</u> The cumulative aggregate amount of liability for external endorsements and guarantees made by the Company and its subsidiaries may not reach 50 percent of the Company's net worth as stated in the Company's latest financial statements.</p> <p>When making endorsements and guarantees, it shall be submitted to the board of directors for approval.</p> <p>When the Company needs to exceed the limits set out in these Rules to satisfy its business requirements, provided that the conditions set forth in the Procedures are complied with, the Company shall obtain approval from the Board of Directors and over half of all the Directors shall also jointly endorse the potential loss that may be brought about by the exceeding of the limits. The Procedures should be amended</p>	<p>(3) The aggregate amount of endorsements and guarantees made for a company with which the Company has business relations may not exceed the amount of the business transacted between the two parties or NTD\$20 million whichever is lower. The “business transaction amount” refers to purchases or sales between the two parties whichever is higher.</p> <p>(4) Endorsements and guarantees may be made between companies in which the Company directly and/or indirectly holds 90 percent or more of the voting shares. The amount thereof may not exceed 10 percent of the Company’s net worth. Provided that this restriction shall not apply to endorsements and guarantees between companies in which the Company directly and/or indirectly holds 100 percent of the voting shares.</p> <p>(5) The cumulative aggregate amount of liability for external endorsements and guarantees made by the Company and the subsidiaries may not reach 50 percent of the Company's net worth as stated in the Company's latest financial statements.</p> <p>When making endorsements and guarantees, it shall be submitted to the board of directors for approval.</p> <p>When the Company needs to exceed the limits set out in these Rules to satisfy its business requirements, provided that the conditions set forth in the Procedures are complied with, the Company shall obtain approval from the Board of Directors and over half of all the Directors shall also jointly endorse the potential loss that may be brought about by the exceeding of the limits. The Procedures should be amended</p>	
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	<p>accordingly and the amendment should be submitted at the shareholders’ meeting for approval. If the shareholders do not approve, the Company shall adopt a plan to discharge the amount in excess within a given time limit.</p> <p>For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, other than reviewing the risk assessment on the necessity and rationality of its endorsement and guarantee in accordance with Article 5, the Company shall require such subsidiary to submit rectification plans and on a quarterly basis submit its operation results to the Board of Directors for the Board’s review.</p> <p>If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made no longer meets the requirements of the Procedures, or the amount of endorsement/guarantee exceeds the limit, the Finance Department shall adopt rectification plans and submit the rectification plans the <u>Audit Committee</u>.</p>	<p>accordingly and the amendment should be submitted at the shareholders’ meeting for approval. If the shareholders do not approve, the Company shall adopt a plan to discharge the amount in excess within a given time limit.</p> <p>For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, other than reviewing the risk assessment on the necessity and rationality of its endorsement and guarantee in accordance with Article 5, the Company shall require such subsidiary to submit rectification plans and on a quarterly basis submit its operation results to the Board of Directors for the Board’s review.</p> <p>If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made no longer meets the requirements of the Procedures, or the amount of endorsement/guarantee exceeds the limit, the Finance Department shall adopt rectification plans and submit the rectification plans each supervisor.</p>	
<p>Article 5</p>	<p>Handling and Review Procedures:</p> <p>1. When handling endorsements and guarantees, upon the application of the unit responsible for the endorsement or guarantee, establish credit and risk assessment data, and shall assess the necessity and reasonableness of the endorsement or guarantee, and its impact on the Company's operational risk, financial condition, and shareholders equity, as well as whether collateral shall be obtained and the assessed value of the collateral, with an assessment record and have it submitted for an approval by someone with authorization level.</p>	<p>5. Handling and Review Procedures:</p> <p>(1) When handling endorsements and guarantees, upon the application of the unit responsible for the endorsement or guarantee, establish credit and risk assessment data, and shall assess the necessity and reasonableness of the endorsement or guarantee, and its impact on the Company's operational risk, financial condition, and shareholders equity, as well as whether collateral shall be obtained and the assessed value of the collateral, with an assessment record and the endorsement/guarantee company,</p>	<p>To accommodate the Company’s 2020 by-election for directors (including independent directors) and the replacement of supervisors’ duties by establishing an Audit Committee.</p>

	<p>2. The Finance Department shall prepare a memorandum containing its endorsement/guarantee activities and truthfully record the following information: the subject of the endorsement/guarantee, the name of the party for whom the endorsement/guarantee was made, the result of the risk evaluation, the amount of the endorsement/guarantee, the content of the collateral, and the condition and date for discharging the obligation of the endorser and/or guarantor.</p> <p>3. The internal audit personnel of the Company shall audit the execution situation of the Operational Procedures for Endorsements/Guarantees at least once each quarter. If any material violation is found, it shall immediately be reported in writing to <u>Audit Committee</u>: Moreover, the Company shall improve the control over subsidiaries. The internal audit personnel shall audit the execution situation of endorsement/guarantee subsidiaries make on a regular basis.</p>	<p>object, type, reason and amount specified. It shall then be submitted for an approval by someone with authorization level.</p> <p>(2) The Finance Department shall prepare a memorandum containing its endorsement/guarantee activities and truthfully record the following information: the subject of the endorsement/guarantee, the name of the party for whom the endorsement/guarantee was made, the result of the risk evaluation, the amount of the endorsement/guarantee, the content of the collateral, and the condition and date for discharging the obligation of the endorser and/or guarantor.</p> <p>(3) The internal audit personnel of the Company shall audit the execution situation of the Operational Procedures for Endorsement/Guarantees at least once each quarter. If any material violation is found, it shall immediately be reported in writing to each supervisor: Moreover, the Company shall improve the control over subsidiaries. The internal audit personnel shall audit the execution situation of endorsement/guarantee subsidiaries make on a regular basis.</p>	
<p>Article 6</p>	<p>Procedures for Use and Custody of Seals: The corporate chop shall be kept in the custody of a designated person and may be used to seal or negotiable instruments only in compliance with prescribed procedures, and its relevant personnel shall be assigned by the Chairman or the president upon authorization by the board of directors When providing a guarantee to a non-Republic of China company, the guarantee letter should be executed and signed by an authorized person. The</p>	<p>6. Procedures for Use and Custody of Seals The corporate chop shall be kept in the custody of a designated person and may be used to seal or negotiable instruments only in compliance with prescribed procedures, and its relevant personnel shall be assigned by the Chairman or the president upon authorization by the board of directors When providing a guarantee to a non-Republic of China company, the guarantee letter should be executed and signed by an authorized</p>	<p>Change of article expression.</p>

	dedicated seals for purposes of endorsements and guarantees are the corporate seals registered with the Ministry of Economic Affairs.	person. The dedicated seals for purposes of endorsements and guarantees are the corporate seals registered with the Ministry of Economic Affairs.	
Article 7	The Finance Department should periodically evaluate and record contingent losses of the endorsements or guarantees, and shall adequately disclose relevant information in financial reports, and provide relevant information to certified public accountants for implementation of necessary audit procedures.	7. The Finance Department should periodically evaluate and record contingent losses of the endorsements or guarantees, and shall adequately disclose relevant information in financial reports, and provide relevant information to certified public accountants for implementation of necessary audit procedures.	Change of article expression.
Article 8	Announcement and reporting procedures, time limit and contents: <u>1.</u> The Company shall announce and report the previous month's balance of endorsements or guarantees made by itself and its subsidiaries by the 10th day of each month. <u>2.</u> If the Company's endorsements and guarantees reach one of the following levels, the Company shall announce and report such fact within two days of the Date of Occurrence with the Date of Occurrence counted as the first day and enter data to the information reporting website designated by the competent authority: <u>(1)</u> The balance of endorsements or guarantees by the Company and <u>its</u> subsidiaries to others reaches 50 percent or more of the Company's net worth as stated in its latest financial statement. <u>(2)</u> The balance of endorsements or guarantees by the Company and <u>its</u> subsidiaries to a single borrower reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.	8. Announcement and reporting procedures, time limit and contents: (1) The Company shall announce and report the previous month's balance of endorsements or guarantees made by itself and its subsidiaries by the 10th day of each month. (2) If the Company's endorsements and guarantees reach one of the following levels, the Company shall announce and report such fact within two days of the Date of Occurrence with the Date of Occurrence counted as the first day and enter data to the information reporting website designated by the competent authority: A. The balance of endorsements or guarantees by the Company and the Company's subsidiaries to others reaches 50 percent or more of the Company's net worth as stated in its latest financial statement. B. The balance of endorsements or guarantees by the Company and the Company's subsidiaries to a single borrower reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.	To accommodate the requirements of the Order No. Jin-Guan-Zheng-Shen-Zhi 1080304826, as a means to define the definition of long-term nature investments, some words have been slightly amended with reference to Subparagraph 1, Paragraph 4, Article 9of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

<p>(3) The balance of endorsements/guarantees by the Company and <u>its</u> subsidiaries for a single enterprise reaches NTD\$10 million or more and the aggregate amount of all <u>endorsements/guarantees for, carrying value of equity method investment in, and balance of loans to</u>, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(4) The amount of new endorsements/guarantees by the Company or any of <u>its</u> subsidiaries reaches NTD\$30 million or more and also reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>3. The Company shall announce and report on behalf of any of its subsidiaries that are not a domestic public company any matters that such subsidiary is required to announce and report pursuant to the preceding paragraph.</p> <p>4. "Date of Occurrence" means the earliest of the date of contract signing, date of payment, date of board of directors resolution, or the date that the counterparty and monetary amount of the <u>endorsements/guarantees</u> can be confirmed.</p> <p>5. The Company's financial report is prepared based on International Financial Reporting Standards, the net value referred in this procedure shall refers to equity attributable to owners of the parent as stated in the balance sheet.</p>	<p>C. The Company and its subsidiaries' balance of endorsements/guarantees to one single enterprise reaches NTD\$10 million or more, and the aggregate value of all endorsements/guarantees for, investments of a long-term nature in, and balance of loans to such enterprise reaches thirty percent (30%) or more of the Company's net worth.</p> <p>D. The amount of new endorsements/guarantees by the Company or any of the Company's subsidiaries reaches NTD\$30 million or more and also reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(3) The Company shall announce and report on behalf of any of its subsidiaries that is not a domestic public company any matters that such subsidiary is required to announce and report pursuant to the preceding paragraph, subparagraph 4.</p> <p>(4) "Date of Occurrence" means the earliest of the date of contract signing, date of payment, date of board of directors resolution, or the date that the counterparty and monetary amount of the transaction can be confirmed.</p> <p>(5) The Company's financial report is prepared based on International Financial Reporting Standards, the net value referred in this procedure shall refers to equity attributable to owners of the parent as stated in the balance sheet.</p>	
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Article 9	When subsidiaries of the Company make endorsements/guarantees, these Operational Procedures shall be applied, and shall be handled according to relevant requirement.	9. When subsidiaries of the Company make endorsements/guarantees, these Operational Procedures shall be applied, and shall be handled according to relevant requirement.	Change of article expression.
Article 10	When the Company's relevant personnel violates these Procedures, it shall be handled according to the Company's measures for rewards and disciplines.	10. When the Company's relevant personnel violates these Procedures, it shall be handled according to the Company's measures for rewards and disciplines.	Change of article expression.
Article 11	<p>When the Company establishes or amends these Measures, <u>the approval of one-half or more of all audit committee members, and furthermore shall be submitted for a resolution by the board of directors;</u> it shall be enforced after being approved by the shareholders meeting. If any director expresses dissent and it is contained in the minutes or a written statement, <u>the Company</u> shall submit the director's dissenting opinion to the <u>Audit Committee</u>, then to the shareholders meeting for discussion. The same shall apply to amendments.</p> <p><u>If approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" i and "all directors" shall be counted as the actual number of persons currently holding those positions.</u></p>	<p>11. After passage by the Board of Directors, these Measures shall be submitted to the shareholders meeting for approval. If any director expresses an objection and there is a record or written statement of the objection, the Company shall submit it to the shareholders meeting for discussion. The same procedures shall apply to any amendments to these Procedures.</p> <p>Add.</p>	<p>To accommodate the Order No. Jin-Guan-Zheng-Shen-Zhi 1080304826 the Company's 2020 by-election for directors (including independent directors) and the replacement of supervisors' duties by establishing an Audit Committee. However, according to Article 14-5 of the Securities and Exchange Act which states that the duties of the Audit Committees include establishing or amending loaning funds to others. In reference to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, relevant provisions of the Enforcement Rules of Endorsements/Guarantees have been amended.</p>

KNH Enterprise Co., Ltd.
Regulations Governing for the Acquisition or Disposal of Assets
(before amendments)

Article 1: These Procedures have been enacted in accordance with the regulations of the competent authority to enhance the Company's asset management and reach the goal of full public disclosure.

Article 2: The "assets" referred to in these Procedures include the following:

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real property (including land, houses and buildings, investment property, and land use rights) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Derivatives. Derivatives: Refers to forward contracts, option contracts, futures contracts, leverage contracts, exchange contracts derived from assets, interest rates, exchange rates, index and other similar commodities, and complicate contracts from combination of them. 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.
6. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
7. Other major assets.

Article 3: The limit of non-business assets and long-term, short-term equity investment

1. The aggregate amount of real property or securities not for business use shall be limited to 50 percent of the Company's net worth and the cumulative amount that is invested in an individual security shall be no more than 30 percent net worth of the Company. If it is required, it shall be reported to the board of directors for approval before execution.
2. The aggregate amount of long-term and short-term equity investments of the Company and its subsidiaries shall not exceed 150% of the shareholders' equity stated in the Company's most recent financial report. The calculation of the ratio mentioned above is based on the Operating Rules of the Taiwan Stock Exchange Corporation and relevant regulations. New Rules and relevant regulations shall be complied with when there is a change.

Article 4: Evaluation Procedures for the Acquisition or Disposal of Assets:

1. The finance department shall conduct relevant benefit analysis, when handling long-term, short-term securities and derivatives, evaluate the possible investment risk and calculate cash flows in detail in accordance with the bank's quotas.
2. Prior to making acquisition or disposal of real property, membership certificates, intangible assets and other fixed assets, all use units shall propose capital expenditure plans on feasibility assessment of its purpose and expected benefits. The plans shall be submitted to the finance department for appraising of the fund needs and sources, its necessity as well as the reasonableness of the fund use.

Article 5: Handlings procedures

1. Levels of authorization
 - (1) Board of directors
 - A. Determination of types of transactions
 - B. Determination of aggregate transaction amount and limit
 - C. Supervision and control of transaction risks
 - (2) Execution unit
 - A. Long-term, short-term securities and derivatives: Finance Department
 - B. Real property, membership certificates, intangible assets and other fixed assets: Use Department and related Authority
 - (3) Audit Department

Based on the operational needs of the internal audit, the suitability of the internal control procedures shall be audited on a regular basis or any time, and if there are any violations.
2. Authorization Quota and Level
 - (1) The Company shall acquire or dispose of various types of assets upon approval of authorization level based on the regulations of the Company.
 - (2) Derivatives trading may proceed upon approval by the president or his/her authorized personnel transaction by transaction then it shall be submitted to the next board of directors' meeting for report.
 - (3) For transactions of acquisition or disposal of assets reaching the publicly announced standards, they shall be reported to the board of directors for approval. If the acquisition or disposal of short-term securities is related financing and a board of directors' meeting is not held in time for the financing, the Chairman or President is authorized to make a decision and have the decision subsequently submitted to and ratified by the next board of directors meeting.
 - (4) An acquisition or disposal of assets shall be handled according to the Company Act and other laws and regulations. It shall be resolved or recognized by shareholders meeting, or reported on the shareholders meeting and shall be handled accordingly.

3. Long-Term, Short-Term Securities

- (1) When acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price.
- (2) When acquiring or disposing of securities listed on the stock exchange or traded on over-the-counter markets, the price is determined at the time of the stock price or bond price.
- (3) In acquiring or disposing of securities, and the transaction amount reaches 20 percent or more, 10 percent of the paid-in capital or NTD\$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 event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20. This requirement does not apply, however, to publicly quoted prices of securities that have an active market or that are subject to the Financial Supervisory Commission's Interpretation or the competent authority. Whereas the transaction concerns related parties, with its transaction amount reaching the requirements mentioned above or more than 10 percent of the Company's total assets, the same shall apply.

4. Real property and other Fixed Assets

- (1) Prices for the acquisition or disposal of real property shall be determined through negotiation, with reference to the announced current value and assessed value of the property and the actual transaction prices of neighboring real properties.
- (2) In acquiring or disposing of real property, or other fixed assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital, 10 percent of the total assets or NTD\$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 machinery and equipment thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:
 - A. 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 future transaction.
 - B. Where the transaction amount is NTD\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.

- C. 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, when the difference between the appraisal results and transaction is 20 percent or above, or the difference of the appraisal results between 2 professional appraisers is more than 10 percent or more, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price: shall be approved by the board of directors by a majority vote at a meeting of the board of directors attended by over two-thirds of the directors.
- D. No more than 3 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 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
- E. "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 other fixed assets.

Whereas the transaction concerns related parties, with its transaction amount reaching the requirements mentioned above or more than 10 percent of the Company's total assets, the same shall apply.

- (3) When acquiring real property from a related party shall evaluate the reasonableness of the transaction costs by the following means and a CPA shall be engaged to check the appraisal and render a specific opinion.
 - A. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 - B. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.
 - C. 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 the means listed in the preceding paragraph.

- (4) When the Company acquires real property from a related party and one of the following circumstances exists, appraising the reasonableness of transaction costs may be exempted, but still need to be handled according to Subparagraph 2, Paragraph 7 of this Article:
- A. The related party acquired the real property through inheritance or as a gift.
 - B. 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.
 - C. 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.
- (5) When the Company acquires real property or right-of-use assets thereof from a related and the appraisal results are lower than the transaction price, or other evidence indicates that the acquisition was a non-arms length transaction, it shall also comply with the following provisions:
- A. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Paragraph 1, Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. A special reserve shall be set aside as stated in the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the Securities and Futures Commission, Ministry of Finance has given its consent.
 - B. Supervisors shall comply with Article 218 of the Company Act.
 - C. Actions taken pursuant to this paragraph 1 and 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
- (6) When the Company acquires real property or right-of-use assets thereof from a related and the appraisal results are lower than the transaction price, it shall be handled according to the preceding paragraph (5). 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:

- A. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
- (A) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (B) 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 practices.
 - (C) There are cases of leasing transactions completed by unrelated parties for other floors of the same property within the preceding year in which the transaction terms are estimated to be similar based on reasonable price discrepancies among floors in accordance with standard property leasing market practices.
- B. Where the Company acquiring real property, or obtaining 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.

Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; 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 or obtainment.

5. In acquiring or disposing of membership certificates, intangible assets, and the transaction amount reaches 20 percent or more, 10 percent of the paid-in capital or NTD\$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 event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20. Whereas the transaction concerns related parties, with its transaction amount reaching

the requirements mentioned above or more than 10 percent of the Company's total assets, the same shall apply.

6. "Transaction amount" as referred to Paragraphs 3 - 5 of this Article is calculated according to the following:
 - (1) The amount of any individual transaction.
 - (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
 - (3) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property thereof within the same development project within the preceding year.
 - (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
 - (5) The term "within the preceding year" as referred to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount in accordance with these Procedures.

7. Related Party Transactions
 - (1) The term "related parties" as referred to in these Procedures shall be defined according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
 - (2) When acquiring or disposing of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NTD\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:
 - A. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
 - B. The reason for choosing the related party as a transaction counterparty.
 - C. 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 4 of this Article.
 - D. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction

- counterparty's relationship to the company and the related party.
- E. 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.
 - F. According to the requirements formulated in Paragraphs 3, 4 and 5 of this Article, a CPA engaged to issue a review opinion regarding the reasonableness of the appraisal.
 - G. Restrictive covenants and other important stipulations associated with the transaction.
 - H. An opinion issued by a CPA engaged to review whether the transaction with the affiliated enterprise conforms with ordinary commercial terms and whether it is not damaging to the interests of this Corporation and its minority shareholders.
- (3) The amount of transactions of related parties shall be calculated as follows:
- A. The amount of any individual transaction.
 - B. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
 - C. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property thereof within the same development project within the preceding year.
 - D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
 - E. "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items approved by the board of directors according to the provisions announced in these Procedures need not be counted toward the transaction amount.
- (4) With respect to acquisition or disposal of equipment for business use between parent company and its subsidiaries, the company's board of directors may delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.
- (5) When [any of] the following circumstances is present in a transaction with an affiliated enterprise, after passage by the board of directors, the matter shall also be submitted to the shareholders meeting for passage of a resolution, and neither the affiliated enterprise nor any persons connected with the affiliated enterprise may participate in the voting:
- A. There is a discrepancy of 20 percent or more between the amount of the transaction and the appraised amount.
 - B. The amount or the terms of the transaction will have a material effect on the Company's operations.
 - C. The transaction will have a material effect on shareholder equity.

D. Other circumstances in which the board of directors deems that the matter shall be submitted for a resolution by a shareholders meeting.

8. When acquiring or disposing of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

9. Derivatives trading

(1) Transaction Types

Derivatives as referred to in these Procedures are transaction contracts (such as forward contracts, option contracts, futures contracts, exchange contracts and deposit trading of bonds) derived from assets, interest rates, exchange rates, index and other similar commodities, and complicate contracts from combination of them.

The term “forward contracts” as mentioned above does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

(2) Operational or Hedging Strategy

The purpose of derivatives transactions shall be to ensure the operating profits of the Company's business and hedge risks (HEDGE) caused by fluctuations in exchange rates, interest rates, or asset prices. Furthermore, the transaction counterparty shall be those with higher credit rating and who the Company has business relationship with to avoid excessive credit risk.

(3) Performance Assessment

Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted for a review to senior management personnel authorized by the board of directors. Its contents shall include the following information:

- A. The nature and amount of derivatives held.
- B. Hedged assets or liabilities held.
- C. Amount of realized and unrealized gains and losses.
- D. Transaction costs.

(4) Aggregate amount of transactions and maximum loss limit

A. Operations for hedging (non-trading) purposes: its aggregate amount of contracts shall not exceed 50% of the Company's net position offset in the most recent balance sheets.

The maximum loss for contracts shall not exceed 10% of the contract amount, which applies to individual contracts and all contracts. If the loss reaches the maximum, the finance personnel need to report to the highest supervisor immediately to discuss the countermeasures to reduce the loss and the impact it has on the Company which shall be approved by the Chairman upon implementation and reported to the next board of directors' meeting.

B. Operations for financial (trading) purposes: Not currently being implemented by the Company.

(5) Risk management measures

A. Risk Management Scopes

- (A) Credit Risk: Trading counterparties are limited to banks with better credit rating and banks the Company does business with, and is based on the principle of providing professional information.
- (B) Market risk: Possible changes in the market factors shall be assessed prior to making derivatives trading and control market risk according to gains or losses through clear operational procedures and operation inspection.
- (C) Liquidity risk: To be able to ensure liquidity, the trading bank shall have sufficient equipment, information and trading ability to conduct trading in any market.
- (D) Cash flow risk: Shall keep an eye on the Company's cash flows at any time in order to ensure smooth transactions when they are due.
- (E) Operational risk: All execution relating to transactions shall thoroughly follow its authorized limit, operational procedures to avoid operational risks.
- (F) Legal risk: Any external document that requires signing due to trading shall be signed by related business personnel before formally signed to avoid legal risk.

B. Internal Control

- (A) Trading operations, settlement, and confirmation operations shall not be concurrently handled by the same personnel.
- (B) Trading personnel shall provide transaction records to the accounting personnel for recordation.
- (C) The accounting personnel shall check or confirm transactions with the bank on a regular basis.
- (D) The finance supervisor shall check thoroughly if transactions meet the regulations.
- (E) Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel mentioned above and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making

(6) Internal audit system

The internal audit personnel shall periodically make a determination of the suitability of internal controls and conduct a monthly audit on the trading department's compliance with these Procedures, and prepare an audit report. If any material violation is discovered, all supervisors shall be notified in writing.

- (7) Regular evaluation methods and the handling of irregular circumstances.
The board of directors shall conduct supervision and management according to the following principles:
- A. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives risk.
 - B. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.
 - C. Designate senior management personnel to periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Procedures formulated by the company. When an irregularity is discovered during monitoring trading and gains or losses, necessary countermeasures shall be taken, and the board of directors shall be reported to.
- (8) When engaging in derivatives trading, a log book shall be established in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, performance assessment report and the matters required to be carefully evaluated under the preceding subparagraph shall be recorded in detail in the log book.
- (9) Accounting procedures
The Company's accounting treatment of derivatives refer to generally accepted accounting principles and related laws and regulations. Complete account books and accounting records are used based on their transaction natures and treatment methods to suitably represent trading procedures and results. When the Company prepares periodic financial reports, relevant information is disclosed in the notes of the financial statements.

10. Merger, demerger, acquisition, or transfer of shares

- (1) 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 Business Mergers and Acquisitions Act, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor under Paragraph 6, Article 156 of the Company Act.
- (2) When conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or

authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

- (3) A merger, demerger, acquisition, or transfer of shares shall prepare important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in the preceding subparagraph when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

Where the shareholders meeting fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the reason shall be immediately publicly explained, the follow-up measures, and the preliminary date of the next shareholders meeting.

A board of directors meeting and shareholders meeting shall be called for on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the competent authority is notified in advance of extraordinary circumstances and grants consent.

- (4) A board of directors meeting shall be called for on the day of the transfer of another company's shares, unless another act provides otherwise or the competent authority is notified in advance of extraordinary circumstances and grants consent.
- (5) When participating in a merger, demerger, acquisition, or transfer of another company's shares, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, the information shall be reported using the format set out in the regulations via the Internet-based information system to the competent authorization for recordation.
- (6) When participating in a merger, demerger, acquisition, or transfer of another company's shares, a full written record of the following information shall be prepared and retained for 5 years for reference:
- A. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
 - B. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors

meeting.

C. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

- (7) Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- (8) Companies participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:
- A. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
 - B. An action, such as a disposal of major assets, that affects the company's financial operations.
 - C. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
 - D. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
 - E. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
 - F. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- (9) The contract for participation by a company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:
- A. Handling of breach of contract.
 - B. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
 - C. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.

- D. The manner of handling changes in the number of participating entities or companies.
 - E. Preliminary progress schedule for plan execution, and anticipated completion date.
 - F. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- (10) After public disclosure of the information of the participation in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- (11) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, an agreement shall be signed with the non-public company and shall be handled according to (3) to (7) and (10).

Article 6: Announcement and reporting procedures, time limit and contents.

1. Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce on the information reporting website designated by the competent authority as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:
- (1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NTD\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
 - (2) Merger, demerger, acquisition, or transfer of shares.
 - (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts.
 - (4) Where the type of asset acquired or disposed of is equipment for business use, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:
 - A. For a public company whose paid-in capital is less than NTD\$10 billion,

the transaction amount reaches NTD\$500 million or more.

B. For a public company whose paid-in capital is NTD\$10 billion or more, the transaction amount reaches NTD\$1 billion or more.

(5) 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 amount the company expects to invest in the transaction reaches NTD\$500 million.

(6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NTD\$300 million; provided, this shall not apply to the following circumstances:

A. Purchase or sale of government bonds.

B. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

(7) The amount of transactions mentioned in the Article shall be calculated as follows:

A. The amount of any individual transaction.

B. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.

C. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property thereof within the same development project within the preceding year.

D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

(8) "Within the preceding year" as used in the preceding subparagraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.

2. 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 preceding article, a public report of relevant information shall be made on the website designated by the competent authority within 2 days counting inclusively from the date of occurrence of the event:

(1) Change, termination, or rescission of a contract signed in regard to the original transaction.

(2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.

- (3) Change to the originally publicly announced and reported information.
3. If the Company's invested subsidiary is not a domestic public company, its acquisition or disposal of assets reaches the standard for announcement and reporting, the Company shall announce and report on behalf of the subsidiary. The term "reaching 20% of the paid-in capital of the Company or 10% of the total asset" refers to the Company's paid-in capital or total assets.
4. Monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the relevant information into the website designated by the competent authority by the 10th day of each month.
5. When public announcements have been done in accordance with the regulations, and an omission in an item is discovered which require correction, items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.
6. "Date of occurrence" refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier. provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.

Article 7 Other Matters

1. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party with the transaction party.
2. All relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions regarding the Company's acquisition or disposal of assets shall be safeguarded and retained for 5 years except where another act provides otherwise.
3. When the Company's relevant personnel violates these Procedures, it shall be handled according to the Company's measures for rewards and disciplines.
4. When the subsidiaries of the Company handle acquisition and disposal of assets, these Procedures shall be followed. Moreover, the Company shall improve the control over subsidiaries. The internal audit personnel shall audit the execution situation of acquisition and disposals subsidiaries make on a regular basis.
5. After passage by the Board of Directors, these Procedures shall be submitted to the shareholders meeting for approval. If any director expresses an objection and there is a record or written statement of the objection, the Company shall submit it to the shareholders meeting for discussion. The same procedures shall apply to any amendments to these Procedures.

KNH Enterprise Co., Ltd.
Comparative List of Regulations Governing for the Acquisition or Disposal of Assets Before and After Amendments

Article	After amendment	Before amendment	Explanatory Notes
Article 2	<p>The “assets” referred to in these Procedures include the following:</p> <ol style="list-style-type: none"> 1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. 2. Real property (including land, houses and buildings, and investment property) and equipment. 3. Memberships. 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets. 5. <u>Right-of-use assets.</u> 6. Derivatives. “Derivatives” refer to forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a <u>specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable</u>; or hybrid contracts combining the <u>above contracts; or hybrid contracts or structured products containing embedded derivatives.</u> The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts. 7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law. 8. Other major assets. 	<p>The “assets” referred to in these Procedures include the following:</p> <ol style="list-style-type: none"> 1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. 2. Real property (including land, houses and buildings, investment property, and land use rights) and equipment. 3. Memberships. 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets. <p>Add.</p> <ol style="list-style-type: none"> 5. Derivatives. Derivatives: Refers to forward contracts, option contracts, futures contracts, leverage contracts, exchange contracts derived from assets, interest rates, exchange rates, index and other similar commodities, and complicate contracts from combination of them. 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. 6. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law. 7. Other major assets. 	<p>According to the requirements specified in Order No. Jin-Guan-Zheng-Fa-Zhi 1 0 7 0 3 4 1 0 7 2:</p> <p>A. To accommodate IFRS16’s classifying “right-of-use assets” in the definition of “assets”.</p> <p>B. To accommodate IFRS9 financial instruments to specifically classify the scope of derivatives.</p> <p>C. The existing subparagraphs 5-7 have been moved to subparagraphs 6-8.</p>
Article 5	<p>Handlings procedures:</p> <ol style="list-style-type: none"> 1. Levels of authorization: <ol style="list-style-type: none"> (1) Board of directors <ol style="list-style-type: none"> A. Determination of types of transactions. 	<p>Handlings procedures</p> <ol style="list-style-type: none"> 1. Levels of authorization: <ol style="list-style-type: none"> (1) Board of directors <ol style="list-style-type: none"> A. Determination of types of transactions. 	

	<p>B. Determination of aggregate transaction amount and limit.</p> <p>C. Supervision and control of transaction risks.</p> <p>(2) Execution unit</p> <p>A. Long-term, short-term securities and derivatives: Finance Department.</p> <p>B. Real property, membership certificates, intangible assets and other fixed assets: Use Department and related Authority.</p> <p>(3) Audit Department</p> <p>Based on the operational needs of the internal audit, the suitability of the internal control procedures shall be audited on a regular basis or any time, and if there are any violations.</p> <p>2. Authorization Quota and Level:</p> <p>(1) The Company shall acquire or dispose of various types of assets upon approval of authorization level based on the regulations of the Company.</p> <p>(2) Derivatives trading may proceed upon approval by the president or his/her authorized personnel transaction by transaction then it shall be submitted to the next board of directors' meeting for report.</p> <p>(3) For transactions of acquisition or disposal of assets reaching the publicly announced standards, they shall be reported to the board of directors for approval. If the acquisition or disposal of short-term securities is related financing and a board of directors' meeting is not held in time for the financing, the Chairman or President is authorized to make a decision and have the decision subsequently submitted to and ratified by the next board of directors meeting.</p> <p>(4) An acquisition or disposal of assets shall be handled according to the Company Act and other laws and regulations. It shall be resolved or</p>	<p>B. Determination of aggregate transaction amount and limit.</p> <p>C. Supervision and control of transaction risks.</p> <p>(2) Execution unit</p> <p>A. Long-term, short-term securities and derivatives: Finance Department.</p> <p>B. Real property, membership certificates, intangible assets and other fixed assets: Use Department and related Authority.</p> <p>(3) Audit Department</p> <p>Based on the operational needs of the internal audit, the suitability of the internal control procedures shall be audited on a regular basis or any time, and if there are any violations.</p> <p>2. Authorization Quota and Level:</p> <p>(1) The Company shall acquire or dispose of various types of assets upon approval of authorization level based on the regulations of the Company.</p> <p>(2) Derivatives trading may proceed upon approval by the president or his/her authorized personnel transaction by transaction then it shall be submitted to the next board of directors' meeting for report.</p> <p>(3) For transactions of acquisition or disposal of assets reaching the publicly announced standards, they shall be reported to the board of directors for approval. If the acquisition or disposal of short-term securities is related financing and a board of directors' meeting is not held in time for the financing, the Chairman or President is authorized to make a decision and have the decision subsequently submitted to and ratified by the next board of directors meeting.</p> <p>(4) An acquisition or disposal of assets shall be handled according to the Company Act and other laws and regulations. It shall be resolved or</p>	
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<p>recognized by shareholders meeting, or reported on the shareholders meeting and shall be handled accordingly.</p> <p>3. Long-Term, Short-Term Securities:</p> <p>(1) When acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price.</p> <p>(2) When acquiring or disposing of securities listed on the stock exchange or traded on over-the-counter markets, the price is determined at the time of the stock price or bond price.</p> <p>(3) In acquiring or disposing of securities, and the transaction amount reaches 20 percent or more, 10 percent of the paid-in capital or NTD\$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 event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20. This requirement does not apply, however, to publicly quoted prices of securities that have an active market or that are subject to the Financial Supervisory Commission's Interpretation or the competent authority. Whereas the transaction concerns related parties, with its transaction amount reaching the requirements mentioned above or more than 10 percent of the Company's total assets, the same shall apply.</p> <p>4. Real property and other Fixed Assets:</p> <p>(1) Prices for the acquisition or disposal of real property shall be determined through negotiation, with reference to</p>	<p>recognized by shareholders meeting, or reported on the shareholders meeting and shall be handled accordingly.</p> <p>3. Long-Term, Short-Term Securities</p> <p>(1) When acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price.</p> <p>(2) When acquiring or disposing of securities listed on the stock exchange or traded on over-the-counter markets, the price is determined at the time of the stock price or bond price.</p> <p>(3) In acquiring or disposing of securities, and the transaction amount reaches 20 percent or more, 10 percent of the paid-in capital or NTD\$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 event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20. This requirement does not apply, however, to publicly quoted prices of securities that have an active market or that are subject to the Financial Supervisory Commission's Interpretation or the competent authority. Whereas the transaction concerns related parties, with its transaction amount reaching the requirements mentioned above or more than 10 percent of the Company's total assets, the same shall apply.</p> <p>4. Real property and other Fixed Assets</p> <p>(1) Prices for the acquisition or disposal of real property shall be determined through negotiation, with reference to</p>	
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	<p>the announced current value and assessed value of the property and the actual transaction prices of neighboring real properties.</p> <p>(2) In acquiring or disposing of real property, other fixed assets, <u>or right-of-use assets</u> thereof where the transaction amount reaches 20 percent of the company's paid-in capital, 10 percent of the total assets or NTD\$300 million or more, the company, unless transacting with a <u>domestic</u> government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or right-of-use assets</u> thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>A. 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 <u>same</u> procedure shall also be followed whenever there is any <u>subsequent</u> change to the terms and conditions of the transaction.</p> <p>B. Where the transaction amount is NTD\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>C. 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, when the</p>	<p>the announced current value and assessed value of the property and the actual transaction prices of neighboring real properties.</p> <p>(2) In acquiring or disposing of real property, or other fixed assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital, 10 percent of the total assets or NTD\$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 machinery and equipment thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>A. 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 future transaction.</p> <p>B. Where the transaction amount is NTD\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>C. 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, when the</p>	<p>A. To accommodate IFRS16's classifying "right-of-use assets" in the definition of "assets" according to the requirements specified in Order No. Jin-Guan-Zheng-Fa -Zhi 1070341072.</p> <p>B. According to the requirements specified in Order No. Jin-Guan-Zheng-Fa -Zhi 1070341072 - Given that relevant regulations shall be followed in regards of bidding when making acquisition or disposal of asset transactions with domestic government agencies, among which there is low possibility to manipulate the price.</p>
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<p>difference between the appraisal results and transaction is 20 percent or above, or the difference of the appraisal results between 2 professional appraisers is more than 10 percent or more, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price: shall be approved by the board of directors by a majority vote at a meeting of the board of directors attended by over two-thirds of the directors.</p> <p>D. No more than 3 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 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>E. “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 other fixed assets. Whereas the transaction concerns related parties, with its transaction amount reaching the requirements mentioned above or more than 10 percent of the Company’s total assets, the same shall apply.</p> <p>(3) When acquiring real property or <u>its right-of-use assets</u> from a related party shall evaluate the reasonableness of the transaction costs by the following means and a CPA shall be engaged to</p>	<p>difference between the appraisal results and transaction is 20 percent or above, or the difference of the appraisal results between 2 professional appraisers is more than 10 percent or more, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price: shall be approved by the board of directors by a majority vote at a meeting of the board of directors attended by over two-thirds of the directors.</p> <p>D. No more than 3 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 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>E. “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 other fixed assets. Whereas the transaction concerns related parties, with its transaction amount reaching the requirements mentioned above or more than 10 percent of the Company’s total assets, the same shall apply.</p> <p>(3) When acquiring real property from a related party shall evaluate the reasonableness of the transaction costs by the following means and a CPA shall be engaged to check the appraisal</p>	
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<p>check the appraisal and render a specific opinion.</p> <p>A. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>B. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>C. Where land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>(4) When the Company acquires real property or <u>its right-of-use assets</u> thereof from a related party and one of the following circumstances exists, appraising the reasonableness of transaction costs may be exempted, but</p>	<p>and render a specific opinion.</p> <p>A. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>B. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>C. 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 the means listed in the preceding paragraph.</p> <p>(4) When the Company acquires real property from a related party and one of the following circumstances exists, appraising the reasonableness of transaction costs may be exempted, but still need to be handled according to</p>	
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	<p>still need to be handled according to Subparagraph 2, Paragraph 7 of this Article:</p> <p>A. The related party acquired the real property <u>or right-of-use assets</u> thereof through inheritance or as a gift.</p> <p>B. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property <u>or right-of-use assets</u> thereof to the signing date for the current transaction.</p> <p>C. 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> <p>D. <u>The real property right-of-use assets for business use are acquired by the Company with parent or subsidiaries, or by its subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></p> <p>(5) When the Company acquires real property <u>or right-of-use assets</u> thereof from a related and the appraisal results, based on <u>the subparagraph Paragraph 3 and Paragraph 6</u>, lower than the transaction price, or other evidence indicates that the acquisition was a non-arms length transaction, it shall also comply with the following provisions:</p> <p>A. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the real property <u>or its right-of-use asset</u></p>	<p>Subparagraph 2, Paragraph 7 of this Article:</p> <p>A. The related party acquired the real property through inheritance or as a gift.</p> <p>B. 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.</p> <p>C. 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> <p>Add.</p> <p>(5) When the Company acquires real property or right-of-use assets thereof from a related and the appraisal results are lower than the transaction price, or other evidence indicates that the acquisition was a non-arms length transaction, it shall also comply with the following provisions:</p> <p>A. 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</p>	<p>C. According to the requirements specified in Order No. Jin-Guan-Zheng-Fa -Zhi 1070341072 - Given the overall business planning of the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares, collective purchase of real estate or a lease for operation use or possible sub-let, due to the lower risk of non-arm's length transaction, the evaluation of the reasonableness of transaction costs are exempted, and there is no need to prove the reasonableness of transaction prices and the provision of special surplus reserves.</p> <p>D. The numbers of articles have been changed according to the requirements specified in Order No. Jin-Guan-Zheng-Fa -Zhi 1070341072.</p>
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	<p>transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Paragraph 1, Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. If a special reserve has been set aside under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or <u>leased</u> at a premium, or they have been disposed of, or the <u>leasing contract has been terminated</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the Securities and Futures Commission, Ministry of Finance has given its consent.</p> <p>B. <u>Independent Director</u> shall comply with Article 218 of the Company Act.</p> <p>C. Actions taken pursuant to this paragraph 1 and 2 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>(6) When the Company acquires real property or <u>right-of-use assets</u> thereof from a related and the appraisal results are lower than the transaction price, it</p>	<p>appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Paragraph 1, Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. A special reserve shall be set aside as stated in the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the Securities and Futures Commission, Ministry of Finance has given its consent.</p> <p>B. Supervisors shall comply with Article 218 of the Company Act.</p> <p>C. Actions taken pursuant to this paragraph 1 and 2 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>(6) When the Company acquires real property or right-of-use assets thereof from a related and the appraisal results are lower than the transaction price, it</p>	<p>E. According to the requirements specified in Order No. Jin-Guan-Zheng-Fa-Zhi 1070341072 and the requirements of Article 14-5 of the Securities and Exchange Act, and to accommodate the Company's 2020 by-election for directors (including independent directors) and the replacement of supervisors' duties by establishing an Audit Committee.</p>
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	<p>shall be handled according to <u>the subparagraph paragraph 5</u>. 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>A. 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>(A) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(B) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and <u>transaction</u> terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance</p>	<p>shall be handled according to the preceding subparagraph (5). 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>A. 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>(A) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(B) 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</p>	
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	<p>with standard property market sale <u>or leasing</u> practices.</p> <p>(C) There are cases of leasing transactions completed by unrelated parties for other floors of the same property within the preceding year in which the transaction terms are estimated to be similar based on reasonable price discrepancies among floors in accordance with standard property leasing market practices.</p> <p>B. Where the Company acquiring real property, or obtaining real property <u>or right-of-use assets</u> through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed <u>transactions</u> involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to <u>transactions</u> completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned <u>transaction</u>; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or <u>obtainment of the right-of-use assets</u> thereof.</p>	<p>with standard property market sale practices.</p> <p>(C) There are cases of leasing transactions completed by unrelated parties for other floors of the same property within the preceding year in which the transaction terms are estimated to be similar based on reasonable price discrepancies among floors in accordance with standard property leasing market practices.</p> <p>B. Where the Company acquiring real property, or obtaining 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 the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; 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 or <u>obtainment</u>.</p>	
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<p>5. In acquiring or disposing of <u>intangible assets, other right-of-use assets or membership certificates</u> and the transaction amount reaches 20 percent or more, 10 percent of the paid-in capital or NTD\$300 million or more, except in transactions with a <u>domestic</u> government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20. Whereas the transaction concerns related parties, with its transaction amount reaching the requirements mentioned above or more than 10 percent of the Company’s total assets, the same shall apply.</p>	<p>5. In acquiring or disposing of membership certificates, intangible assets, and the transaction amount reaches 20 percent or more, 10 percent of the paid-in capital or NTD\$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 event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20. Whereas the transaction concerns related parties, with its transaction amount reaching the requirements mentioned above or more than 10 percent of the Company’s total assets, the same shall apply.</p>	
<p>6. The term “transaction amount” as referred to Paragraphs 3 - 5 of this Article is calculated according to the following:</p> <ol style="list-style-type: none"> (1) The amount of any individual transaction. (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year. (3) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property <u>or right-of-use assets</u> thereof within the same development project within the preceding year. (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. (5) The term “within the preceding year” as referred to the year preceding the date of occurrence of the current transaction. Items for which an 	<p>6. The term “transaction amount” as referred to Paragraphs 3 - 5 of this Article is calculated according to the following:</p> <ol style="list-style-type: none"> (1) The amount of any individual transaction. (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year. (3) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property thereof within the same development project within the preceding year. (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. (5) The term “within the preceding year” as referred to the year preceding the date of occurrence of the current transaction. Items for which an 	

	<p>appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount in accordance with these Procedures.</p> <p>7. Related Party Transactions:</p> <p>(1) The term “related parties” as referred to in these Procedures shall be defined according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>(2) When a public company intends to acquire or dispose of real property <u>or right-of-use assets</u> thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property <u>or right-of-use assets</u> thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NTD\$300 million or more, except in trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been <u>approved by the Audit Committee and submitted to the board of directors for approval</u>:</p> <p>A. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>B. The reason for choosing the related party as a transaction counterparty.</p> <p>C. With respect to the acquisition of real property <u>or right-of-use assets</u> thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in</p>	<p>appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount in accordance with these Procedures.</p> <p>7. Related Party Transactions</p> <p>(1) The term “related parties” as referred to in these Procedures shall be defined according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>(2) When acquiring or disposing of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NTD\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <p>A. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>B. The reason for choosing the related party as a transaction counterparty.</p> <p>C. 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 4 of</p>	<p>F. According to the requirements specified in Order No. Jin-Guan-Zheng-Fa -Zhi 1070341072 - Given that the information regarding bonds in Taiwan central government and local government are clear and easy to check, an approval from the board of directors regarding matters of acquiring government bond from related parties are exempted.</p>
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<p>accordance with <u>Subparagraphs 3, 4 and 5</u>, Paragraph 4 of this Article.</p> <p>D. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company <u>and</u> the related party.</p> <p>E. 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>F. According to the requirements formulated in Paragraphs 3, 4 and 5 of this Article, a CPA engaged to issue a review opinion regarding the reasonableness of the appraisal.</p> <p>G. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>H. An opinion issued by a CPA engaged to review whether the transaction with the affiliated enterprise conforms with ordinary commercial terms and whether it is not damaging to the interests of this Corporation and its minority shareholders.</p> <p>(3) The amount of transactions of related parties shall be calculated as follows:</p> <p>A. The amount of any individual transaction.</p> <p>B. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</p> <p>C. The cumulative transaction amount of acquisitions and</p>	<p>this Article.</p> <p>D. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</p> <p>E. 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>F. According to the requirements formulated in Paragraphs 3, 4 and 5 of this Article, a CPA engaged to issue a review opinion regarding the reasonableness of the appraisal.</p> <p>G. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>H. An opinion issued by a CPA engaged to review whether the transaction with the affiliated enterprise conforms with ordinary commercial terms and whether it is not damaging to the interests of this Corporation and its minority shareholders.</p> <p>(3) The amount of transactions of related parties shall be calculated as follows:</p> <p>A. The amount of any individual transaction.</p> <p>B. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</p> <p>C. The cumulative transaction amount of acquisitions and</p>	
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<p>disposals (cumulative acquisitions and disposals, respectively) of real property <u>or right-of-use assets</u> thereof within the same development project within the preceding year.</p> <p>D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>E. “Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items approved by the <u>Audit Committee then approved by the board of directors</u> according to the provisions announced in these Procedures need not be counted toward the transaction amount.</p> <p>(4) <u>With respect to the types of transactions listed below, when to be conducted between the Company and the Company or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital,</u> the company's board of directors may delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting:</p> <p>A. <u>Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u></p> <p>B. <u>Acquisition or disposal of real property right-of-use assets held for business use.</u></p> <p>(5) When the following circumstances is present in a transaction with an affiliated enterprise, after passage by</p>	<p>disposals (cumulative acquisitions and disposals, respectively) of real property thereof within the same development project within the preceding year.</p> <p>D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>E. “Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items approved by the board of directors according to the provisions announced in these Procedures need not be counted toward the transaction amount.</p> <p>(4) With respect to acquisition or disposal of equipment for business use between parent company and its subsidiaries, the company's board of directors may delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>Add.</p> <p>Add.</p> <p>(5) When the following circumstances is present in a transaction with an affiliated enterprise, after passage by</p>	
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	<p>the board of directors, the matter shall also be submitted to the shareholders meeting for passage of a resolution, and neither the affiliated enterprise nor any persons connected with the affiliated enterprise may participate in the voting:</p> <p>A. There is a discrepancy of 20 percent or more between the amount of the transaction and the appraised amount.</p> <p>B. The amount or the terms of the transaction will have a material effect on the Company's operations.</p> <p>C. The transaction will have a material effect on shareholder equity.</p> <p>D. Other circumstances in which the board of directors deems that the matter shall be submitted for a resolution by a shareholders meeting.</p> <p>8. When acquiring or disposing of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p> <p>9. Derivatives trading: (1) Transaction Types “Derivatives” as referred to in these Procedures are forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a <u>specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable</u>; or hybrid contracts combining the <u>above contracts; or hybrid contracts or structured products containing embedded derivatives</u>. The term “forward contracts” as mentioned above does not include insurance contracts, performance</p>	<p>the board of directors, the matter shall also be submitted to the shareholders meeting for passage of a resolution, and neither the affiliated enterprise nor any persons connected with the affiliated enterprise may participate in the voting:</p> <p>A. There is a discrepancy of 20 percent or more between the amount of the transaction and the appraised amount.</p> <p>B. The amount or the terms of the transaction will have a material effect on the Company's operations.</p> <p>C. The transaction will have a material effect on shareholder equity.</p> <p>D. Other circumstances in which the board of directors deems that the matter shall be submitted for a resolution by a shareholders meeting.</p> <p>8. When acquiring or disposing of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p> <p>9. Derivatives trading (1) Transaction Types Derivatives as referred to in these Procedures are transaction contracts (such as forward contracts, option contracts, futures contracts, exchange contracts and deposit trading of bonds) derived from assets, interest rates, exchange rates, index and other similar commodities, and complicate contracts from combination of them. The term “forward contracts” as mentioned above does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p>	<p>G. According to the requirements specified in Order No. Jin-Guan-Zheng-Fa -Zhi 1070341072 to accommodate IFRS9 financial instruments to specifically classify the scope of derivatives.</p>
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<p>contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p> <p>(2) Operational or Hedging Strategy The purpose of derivatives transactions shall be to ensure the operating profits of the Company's business and hedge risks (HEDGE) caused by fluctuations in exchange rates, interest rates, or asset prices. Furthermore, the transaction counterparty shall be those with higher credit rating and who the Company has business relationship with to avoid excessive credit risk.</p> <p>(3) Performance Assessment Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted for a review to senior management personnel authorized by the board of directors. Its contents shall include the following information:</p> <ul style="list-style-type: none"> A. The nature and amount of derivatives held. B. Hedged assets or liabilities held. C. Amount of realized and unrealized gains and losses. D. Transaction costs. <p>(4) Aggregate amount of transactions and maximum loss limit</p> <ul style="list-style-type: none"> A. Operations for hedging (non-trading) purposes: its aggregate amount of contracts shall not exceed 50% of the Company's net position offset in the most recent balance sheets The maximum loss for contracts shall not exceed 10% of the contract amount, which applies to individual contracts and all 	<p>(2) Operational or Hedging Strategy The purpose of derivatives transactions shall be to ensure the operating profits of the Company's business and hedge risks (HEDGE) caused by fluctuations in exchange rates, interest rates, or asset prices. Furthermore, the transaction counterparty shall be those with higher credit rating and who the Company has business relationship with to avoid excessive credit risk.</p> <p>(3) Performance Assessment Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted for a review to senior management personnel authorized by the board of directors. Its contents shall include the following information:</p> <ul style="list-style-type: none"> A. The nature and amount of derivatives held. B. Hedged assets or liabilities held. C. Amount of realized and unrealized gains and losses. D. Transaction costs. <p>(4) Aggregate amount of transactions and maximum loss limit</p> <ul style="list-style-type: none"> A. Operations for hedging (non-trading) purposes: its aggregate amount of contracts shall not exceed 50% of the Company's net position offset in the most recent balance sheets The maximum loss for contracts shall not exceed 10% of the contract amount, which applies to individual contracts and all 	
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	<p>contracts. If the loss reaches the maximum, the finance personnel need to report to the highest supervisor immediately to discuss the countermeasures to reduce the loss and the impact it has on the Company which shall be approved by the Chairman upon implementation and reported to the next board of directors' meeting.</p> <p>B. Operations for financial (trading) purposes: Not currently being implemented by the Company.</p> <p>(5) Risk management measures.</p> <p>A. Risk Management Scopes</p> <p>(A) Credit Risk: Trading counterparties are limited to banks with better credit rating and banks the Company does business with, and is based on the principle of providing professional information.</p> <p>(B) Market risk: Possible changes in the market factors shall be assessed prior to making derivatives trading and control market risk according to gains or losses through clear operational procedures and operation inspection.</p> <p>(C) Liquidity risk: To be able to ensure liquidity, the trading bank shall have sufficient equipment, information and trading ability to conduct trading in any market.</p> <p>(D) Cash flow risk: Shall keep an eye on the Company's cash flows at any time in order to ensure smooth transactions when they are due.</p> <p>(E) Operational risk: All execution relating to transactions shall thoroughly</p>	<p>contracts. If the loss reaches the maximum, the finance personnel need to report to the highest supervisor immediately to discuss the countermeasures to reduce the loss and the impact it has on the Company which shall be approved by the Chairman upon implementation and reported to the next board of directors' meeting.</p> <p>B. Operations for financial (trading) purposes: Not currently being implemented by the Company.</p> <p>(5) Risk management measures.</p> <p>A. Risk Management Scopes</p> <p>(A) Credit Risk: Trading counterparties are limited to banks with better credit rating and banks the Company does business with, and is based on the principle of providing professional information.</p> <p>(B) Market risk: Possible changes in the market factors shall be assessed prior to making derivatives trading and control market risk according to gains or losses through clear operational procedures and operation inspection.</p> <p>(C) Liquidity risk: To be able to ensure liquidity, the trading bank shall have sufficient equipment, information and trading ability to conduct trading in any market.</p> <p>(D) Cash flow risk: Shall keep an eye on the Company's cash flows at any time in order to ensure smooth transactions when they are due.</p> <p>(E) Operational risk: All execution relating to transactions shall thoroughly</p>	
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	<p>follow its authorized limit, operational procedures to avoid operational risks.</p> <p>(F) Legal risk: Any external document that requires signing due to trading shall be signed by related business personnel before formally signed to avoid legal risk.</p> <p>B. Internal Control</p> <p>(A) Trading operations, settlement, and confirmation operations shall not be <u>concurrently</u> handled by the same personnel.</p> <p>(B) Trading personnel shall provide transaction records to the accounting personnel for recordation.</p> <p>(C) The accounting personnel shall check or confirm transactions with the bank on a regular basis.</p> <p>(D) The finance supervisor shall check thoroughly if transactions meet the regulations.</p> <p>(E) Risk measurement, monitoring, and control personnel shall be assigned to a different department that the personnel mentioned above and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.</p> <p>(6) Internal audit system</p> <p>The internal audit personnel shall periodically make a determination of the suitability of internal controls and conduct a monthly audit on the trading department's compliance with these Procedures, and prepare an audit report. If any material violation is</p>	<p>follow its authorized limit, operational procedures to avoid operational risks.</p> <p>(F) Legal risk: Any external document that requires signing due to trading shall be signed by related business personnel before formally signed to avoid legal risk.</p> <p>B. Internal Control</p> <p>(A) Trading operations, settlement, and confirmation operations shall not be concurrently handled by the same personnel.</p> <p>(B) Trading personnel shall provide transaction records to the accounting personnel for recordation.</p> <p>(C) The accounting personnel shall check or confirm transactions with the bank on a regular basis.</p> <p>(D) The finance supervisor shall check thoroughly if transactions meet the regulations.</p> <p>(E) Risk measurement, monitoring, and control personnel shall be assigned to a different department that the personnel mentioned above and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.</p> <p>(6) Internal audit system</p> <p>The internal audit personnel shall periodically make a determination of the suitability of internal controls and conduct a monthly audit on the trading department's compliance with these Procedures, and prepare an audit report. If any material violation is</p>	<p>H. According to the "Regulations Governing Acquisitions or Disposal of Assets by Public Companies", some words have been slightly adjusted to be more clear.</p>
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<p>discovered, the <u>Audit Committee</u> shall be notified in writing.</p> <p>(7) Regular evaluation methods and the handling of irregular circumstances - The board of directors shall conduct supervision and management according to the following principles:</p> <p>A. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives risk.</p> <p>B. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy <u>and</u> whether the risk undertaken is within the company's permitted scope of tolerance.</p> <p>C. Designate senior management personnel to periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Procedures formulated by the company. When there are irregular circumstances in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors, <u>an independent director shall be present at the meeting and express an opinion.</u></p> <p>(8) When engaging in derivatives trading, a log book shall be established in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, performance assessment report and the matters required to be carefully evaluated under the preceding subparagraph shall be recorded in detail in the log book.</p>	<p>discovered, all supervisors shall be notified in writing.</p> <p>(7) Regular evaluation methods and the handling of irregular circumstances - The board of directors shall conduct supervision and management according to the following principles:</p> <p>A. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives risk.</p> <p>B. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.</p> <p>C. Designate senior management personnel to periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Procedures formulated by the company. When an irregularity is discovered during monitoring trading and gains or losses, necessary countermeasures shall be taken, and the board of directors shall be reported to.</p> <p>(8) When engaging in derivatives trading, a log book shall be established in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, performance assessment report and the matters required to be carefully evaluated under the preceding subparagraph shall be recorded in detail in the log book.</p>	
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<p>(9) Accounting procedures The Company’s accounting treatment of derivatives refer to <u>IFRS</u> and related laws and regulations. Complete account books and accounting records are used based on their transaction natures and treatment methods to suitably represent trading procedures and results. When the Company prepares periodic financial reports, relevant information is disclosed in the notes of the financial statements.</p> <p>10. Merger, demerger, acquisition, or transfer of shares:</p> <p>(1) 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 Business Mergers and Acquisitions Act, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor under Article 156-3 of the Company Act.</p> <p>(2) When conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or</p>	<p>(9) Accounting procedures The Company’s accounting treatment of derivatives refer to generally accepted accounting principles and related laws and regulations. Complete account books and accounting records are used based on their transaction natures and treatment methods to suitably represent trading procedures and results. When the Company prepares periodic financial reports, relevant information is disclosed in the notes of the financial statements.</p> <p>10. Merger, demerger, acquisition, or transfer of shares</p> <p>(1) 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 Business Mergers and Acquisitions Act, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor under Paragraph 6, Article 156 of the Company Act.</p> <p>(2) When conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or</p>	
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	<p>indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</p> <p>(3) A merger, demerger, acquisition, or transfer of shares shall prepare important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in the preceding subparagraph when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.</p> <p>Where the shareholders meeting fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the reason shall be immediately publicly explained, the follow-up measures, and the preliminary date of the next shareholders meeting.</p> <p>A board of directors meeting and shareholders meeting shall be called for on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the competent authority is notified in advance of extraordinary circumstances and grants consent.</p>	<p>indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</p> <p>(3) A merger, demerger, acquisition, or transfer of shares shall prepare important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in the preceding subparagraph when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.</p> <p>Where the shareholders meeting fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the reason shall be immediately publicly explained, the follow-up measures, and the preliminary date of the next shareholders meeting.</p> <p>A board of directors meeting and shareholders meeting shall be called for on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the competent authority is notified in advance of extraordinary circumstances and grants consent.</p>	
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	<p>(4) A board of directors meeting shall be called for on the day of the transfer of another company's shares, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</p> <p>(5) When participating in a merger, demerger, acquisition, or transfer of another company's shares, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, the information shall be reported using the format set out in the regulations via the Internet-based information system to the competent authorization for recordation.</p> <p>(6) When participating in a merger, demerger, acquisition, or transfer of another company's shares, a full written record of the following information shall be prepared and retained for 5 years for reference:</p> <p>A. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.</p> <p>B. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</p>	<p>(4) A board of directors meeting shall be called for on the day of the transfer of another company's shares, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</p> <p>(5) When participating in a merger, demerger, acquisition, or transfer of another company's shares, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, the information shall be reported using the format set out in the regulations via the Internet-based information system to the competent authorization for recordation.</p> <p>(6) When participating in a merger, demerger, acquisition, or transfer of another company's shares, a full written record of the following information shall be prepared and retained for 5 years for reference:</p> <p>A. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.</p> <p>B. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</p>	
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	<p>C. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>(7) Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or <u>other equity security of any company related to the plan</u> for merger, demerger, acquisition, or transfer of shares.</p> <p>(8) Companies participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:</p> <p>A. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.</p> <p>B. An action, such as a disposal of major assets, that affects the company's financial operations.</p> <p>C. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.</p>	<p>C. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>(7) Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock of any company related to the plan for merger, demerger, acquisition, or transfer of shares.</p> <p>(8) Companies participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:</p> <p>A. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.</p> <p>B. An action, such as a disposal of major assets, that affects the company's financial operations</p> <p>C. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.</p>	
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	<p>D. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.</p> <p>E. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.</p> <p>F. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.</p> <p>(9) The contract for participation by a company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:</p> <p>A. Handling of breach of contract.</p> <p>B. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.</p> <p>C. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.</p> <p>D. The manner of handling changes in the number of participating entities or companies.</p> <p>E. Preliminary progress schedule for plan execution, and anticipated completion date.</p> <p>F. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the</p>	<p>D. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.</p> <p>E. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.</p> <p>F. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.</p> <p>(9) The contract for participation by a company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:</p> <p>A. Handling of breach of contract.</p> <p>B. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.</p> <p>C. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.</p> <p>D. The manner of handling changes in the number of participating entities or companies.</p> <p>E. Preliminary progress schedule for plan execution, and anticipated completion date.</p> <p>F. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the</p>	
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	<p>deadline without completion, and relevant procedures.</p> <p>(10) After public disclosure of the information, if <u>any company</u> participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.</p> <p>(11) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, an agreement shall be signed with the non-public company and shall be handled according to <u>paragraph (3) to (7) and (10) of the subparagraph.</u></p>	<p>deadline without completion, and relevant procedures.</p> <p>(10) After public disclosure of the information of the participation in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.</p> <p>(11) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, an agreement shall be signed with the non-public company and shall be handled according to (3) to (7) and (10).</p>	
Article 6	<p>Announcement and reporting procedures, time limit and contents.</p> <p>1. Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce on the information reporting website designated by the competent authority as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p>	<p>Announcement and reporting procedures, time limit and contents.</p> <p>1. Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce on the information reporting website designated by the competent authority as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p>	<p>According to the requirements specified in Order No. Jin-Guan-Zheng-Fa-Zhi 1070341072:</p> <p>A. To accommodate IFRS16's classifying "right-of-use assets" in the definition of</p>

<p>(1) Acquisition or disposal of real property <u>or right-of-use assets</u> thereof from or to a related party, or acquisition or disposal of assets other than real property <u>or right-of-use assets</u> thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NTD\$300 million or more; provided, this shall not apply to trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) Merger, demerger, acquisition, or transfer of shares.</p> <p>(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts.</p> <p>(4) Where the type of asset is equipment <u>or right-of-use assets</u> thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <p>A. For a public company whose paid-in capital is less than NTD\$10 billion, the transaction amount reaches NTD\$500 million or more.</p> <p>B. For a public company whose paid-in capital is NTD\$10 billion or more, the transaction amount reaches NTD\$1 billion or more.</p> <p>(5) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented</p>	<p>(1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NTD\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) Merger, demerger, acquisition, or transfer of shares.</p> <p>(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts.</p> <p>(4) Where the type of asset acquired or disposed of is equipment for business use, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <p>A. For a public company whose paid-in capital is less than NTD\$10 billion, the transaction amount reaches NTD\$500 million or more.</p> <p>B. For a public company whose paid-in capital is NTD\$10 billion or more, the transaction amount reaches NTD\$1 billion or more.</p> <p>(5) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented</p>	<p>“assets” prescribed in the Procedures.</p> <p>B. Given that the information regarding bonds in Taiwan central government and local government are clear and easy to check, an approval from the board of directors regarding matters of acquiring government bond from related parties are exempted.</p> <p>C. According to the “Regulations Governing Acquisitions or Disposal of Assets by Public Companies”, some words have been slightly adjusted to be more clear.</p>
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<p>land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the <u>transaction counterparty is not a related party</u>, and the amount the company expects to invest in the transaction reaches NTD\$500 million.</p> <p>(6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NTD\$300 million; provided, this shall not apply to the following circumstances:</p> <ul style="list-style-type: none"> A. Trading of <u>domestic</u> government bonds. B. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. <p>(7) The amount of transactions mentioned in the Article shall be calculated as follows:</p> <ul style="list-style-type: none"> A. The amount of any individual transaction. B. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year. C. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions 	<p>land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NTD\$500 million.</p> <p>(6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NTD\$300 million; provided, this shall not apply to the following circumstances:</p> <ul style="list-style-type: none"> A. Purchase or sale of government bonds. B. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. <p>(7) The amount of transactions mentioned in the Article shall be calculated as follows:</p> <ul style="list-style-type: none"> A. The amount of any individual transaction. B. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year. C. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions 	
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	<p>and disposals, respectively) of real property <u>or right-of-use assets</u> thereof within the same development project within the preceding year.</p> <p>D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>(8) “Within the preceding year” as used in the preceding subparagraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.</p> <p>2. 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 preceding article, a public report of relevant information shall be made on the website designated by the competent authority within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(1) Change, termination, or rescission of a contract signed in regard to the original transaction.</p> <p>(2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</p> <p>(3) Change to the originally publicly announced and reported information.</p> <p>3. If the Company’s invested subsidiary is not a domestic public company, its acquisition or disposal of assets reaches the standard for announcement and reporting, the Company shall announce and report on behalf of the subsidiary. The term “reaching 20% of the paid-in capital of the Company</p>	<p>and disposals, respectively) of real property thereof within the same development project within the preceding year.</p> <p>D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>(8) “Within the preceding year” as used in the preceding subparagraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.</p> <p>2. 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 preceding article, a public report of relevant information shall be made on the website designated by the competent authority within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(1) Change, termination, or rescission of a contract signed in regard to the original transaction.</p> <p>(2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</p> <p>(3) Change to the originally publicly announced and reported information.</p> <p>3. If the Company’s invested subsidiary is not a domestic public company, its acquisition or disposal of assets reaches the standard for announcement and reporting, the Company shall announce and report on behalf of the subsidiary. The term “reaching 20% of the paid-in capital of the Company</p>	
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	<p>or 10% of the total asset” refers to the Company’s paid-in capital or total assets.</p> <p>4. Monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and <u>enter the information in the prescribed</u> format into the website designated by the competent authority by the 10th day of each month.</p> <p>5. When public announcements have been done in accordance with the regulations, and an <u>error or</u> omission in an item is discovered which require correction, items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>6. “Date of occurrence” refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier. provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p>	<p>or 10% of the total asset” refers to the Company’s paid-in capital or total assets.</p> <p>4. Monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the relevant information into the website designated by the competent authority by the 10th day of each month.</p> <p>5. When public announcements have been done in accordance with the regulations, and an omission in an item is discovered which require correction, items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>6. “Date of occurrence” refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier. provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p>	
Article 7	<p>Other Matters:</p> <p>1. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions <u>shall meet the following requirements:</u></p> <p><u>(1) May not have previously received a final and unappealable sentence to</u></p>	<p>Other Matters:</p> <p>1. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party with the transaction party.</p> <p>Add.</p>	<p>A. To accommodate requirements specified in Order No. Jin-Guan-Zheng-Fa -Zhi 1070341072 - Matters regarding Professional appraisers and their officers, certified public accounts, attorneys, and</p>

	<p><u>imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u></p> <p><u>(2) May not be a related party or de facto related party of any party to the transaction.</u></p> <p><u>(3) 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>2. All relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions regarding the Company’s acquisition or disposal of assets shall be safeguarded and retained for 5 years except where another act provides otherwise.</p> <p>3. When the Company’s relevant personnel violates these Procedures, it shall be handled according to the Company’s measures for rewards and disciplines.</p> <p>4. When the subsidiaries of the Company handle acquisition and disposal of assets, these Procedures shall be followed. Moreover, the Company shall improve the control over subsidiaries. The internal audit personnel shall audit the execution situation of acquisition and disposals subsidiaries make on a regular basis.</p>	<p>Add.</p> <p>Add.</p> <p>2. All relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions regarding the Company’s acquisition or disposal of assets shall be safeguarded and retained for 5 years except where another act provides otherwise.</p> <p>3. When the Company’s relevant personnel violates these Procedures, it shall be handled according to the Company’s measures for rewards and disciplines.</p> <p>4. When the subsidiaries of the Company handle acquisition and disposal of assets, these Procedures shall be followed. Moreover, the Company shall improve the control over subsidiaries. The internal audit personnel shall audit the execution situation of acquisition and disposals subsidiaries make on a regular basis.</p>	<p>securities underwriters to ensure the responsibilities of external professionals.</p> <p>B. To accommodate the Company’s 2020 by-election for directors (including independent directors) and the replacement of supervisors’ duties by establishing an Audit Committee. However, according to Article 14-5 of the Securities and Exchange Act which states that the duties of the Audit Committees include establishing or amending loaning funds to others. In reference to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, relevant provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies have been amended.</p>
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<p>5. <u>Any transaction involving major assets or derivatives shall be approved by one-half or more of all audit committee members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application Paragraph 6 of this Article .</u></p> <p>6. When the Company establishes or amends these Operational Procedures, the approval of one-half or more of all audit committee members, and furthermore shall be <u>submitted for a resolution by the board of directors; it shall be enforced after being approved by the shareholders meeting.</u> If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the <u>Audit Committee</u>, then to the shareholders meeting for discussion. The same shall apply to amendments.</p> <p><u>If approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" i and "all directors" shall be counted as the actual number of persons currently holding those positions.</u></p>	<p>Add.</p> <p>5. After passage by the Board of Directors, these Procedures shall be submitted to the shareholders meeting for approval. If any director expresses an objection and there is a record or written statement of the objection, the Company shall submit it to the shareholders meeting for discussion. The same procedures shall apply to any amendments to these Procedures.</p> <p>Add.</p>	<p>C. The current paragraph 5 has been moved to paragraph 6.</p> <p>D. According to the "Regulations Governing Acquisitions or Disposal of Assets by Public Companies", some words have been slightly adjusted to be more clear.</p>
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KNH Enterprise Co., Ltd.
Regulations for Election of Directors

- Article 1: Unless otherwise provided in the Company Law or the Articles of Incorporation of this Company, the directors of this Company shall be elected in accordance with the rules specified herein.
- Article 2: The election of directors of the Company shall apply the open cumulative voting method. Attendance card numbers printed on the ballots may replace the voters' names. Each share will have voting rights in a number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates. The shareholders who exercise their voting rights in an electronic form shall exercise the same in the manner prescribed by the Company Act and the competent authority.
- Article 3: Based on the number of directors specified in the Company's Articles of Incorporation, the voting rights of independent and non-independent directors shall be separately calculated, and the receiving ballots representing the highest number of voting rights shall be elected. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chairperson drawing lots on behalf of any person not in attendance.
- When a government entity or a juristic person acts a shareholder of the Company, except with the approval of the competent authority, Paragraph 2 of Article 27 of the Company Act shall not apply, and a representative of the government entity or juristic person may not concurrently be selected or serve as the director of the Company.
- The Company's election of directors shall apply the candidate nomination system pursuant to Article 192-1 of the Company Act. Independent directors and non-independent directors shall be nominated separately.
- The qualification and election of the Company's independent directors shall comply with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".
- Article 4: The overall composition of the board of directors shall be taken into consideration in the Company's election of directors. The composition of the Board of Directors shall be determined by taking diversity into consideration. Each board member shall have the necessary knowledge, skill, and experience to perform their duties. The abilities that shall be present in the Board as a whole are as follows:
1. The ability to make judgments about operations.
 2. Accounting and financial analysis ability.
 3. Business management ability.
 4. Crisis management ability.
 5. Knowledge of the industry.

6. An international market perspective.
7. Leadership ability.
8. Decision-making ability.

More than a majority of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.

Article 5: (Deleted)

Article 6: When the election begins, the chair shall appoint a number of persons who are also shareholders to perform the respective duties of vote monitoring and counting personnel.

Article 7: The ballots shall be prepared by the Company. The attendance certificate number and number of voting rights associated with each ballot shall be specified on the ballots, provided that no ballot is required to be prepared separately for the voter who exercises his voting right in an electronic form.

Article 8: If the candidate is a shareholder of this Company, voters shall fill in the “candidate” column the candidate's name and shareholder's number, and the number of votes cast for such candidate. If the candidate is not a shareholder of this Company, voters shall fill in the “candidate” column the candidate's name, the candidate's ID number, and the number of votes cast for such candidate. If the candidate is a government agency or a legal entity, the full name of the government agency or the legal entity or the name(s) of their representative(s) shall be filled in the column.

Article 9: Ballots shall be deemed void under the following conditions:

1. Ballots not prepared by this Company;
2. Blank ballots not completed by the voter;
3. Illegible writing;
4. If the candidate is a shareholder of this Company, the name or shareholder's number of the candidate filled in the ballot inconsistent with the shareholders' register. If the candidate is not a shareholder of this Company, the name or ID number of the candidate filled in the ballot is incorrect;
5. Ballots with other written characters or symbols in addition to candidate's name, shareholder's number (ID number) and the number of votes cast for the candidate;
6. The name of the candidates filled in the ballots being the same as another candidate's name and the respective shareholder's numbers (ID numbers) not being indicated to distinguish them;
7. Fill in two or more candidates in the same election ticket.

Article 10: The ballots shall be calculated during the meeting right after the vote casting and the results of the election shall be announced by the Chairman at the meeting, including the name list of elected directors, and the votes won by them.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 11: The Company shall individually issue notifications to the directors elected.

Article 12: The matters not specified in these Regulations shall be duly handled in accordance with the Company Act, Articles of Incorporation of the Company and related laws and regulations.

Article 13: These Rules and any revision thereof shall become effective after approval at the shareholders' meeting.

KNH Enterprise Co., Ltd.
The Candidate List of Directors and Independent Directors for the 18th Election

No.	Candidate category	Name	Main education	Experience	Main current job	Number of shares
1	Director	Tai, Jung-Chi	Tamkang Junior College of English.	<p>President of Asia Nonwoven Fabrics Association.</p> <p>President of Taiwan Technical Textiles Association.</p> <p>Vice President of Taiwan Federation of Industry.</p> <p>Chairman of Linertex Co., Ltd.</p> <p>Director of Kanish Limited.</p> <p>Chairman of Outlook Investment Pte Ltd.</p> <p>Chairman of KNH Enterprise Co., Ltd.</p> <p>Chairman of Hi-Pure Biotechnology Co., Ltd.</p> <p>Chairman of K Jie Water & Environmental Engineering Co., Ltd.</p> <p>Chairman of Kangyao Investment Co., Ltd.</p> <p>Director of Captain Holding Co., Ltd.</p>	<p>Director of Kanish Limited.</p> <p>Chairman of Outlook Investment Pte Ltd.</p> <p>Chairman of KNH Enterprise Co., Ltd.</p> <p>Chairman of Hi-Pure Biotechnology Co., Ltd.</p> <p>Chairman of K Jie Water & Environmental Engineering Co., Ltd.</p> <p>Chairman of Kangyao Investment Co., Ltd.</p> <p>Director of Captain Holding Co., Ltd.</p>	99,921,393
2	Director	Tai, Hwa-Ming	Far East College.	<p>Director of Jiou Hong Industrial Co., Ltd.</p> <p>Director of Jian Sheng Bitumen Enterprise Ltd.</p> <p>Director of Taichu Engineer Co., Ltd.</p> <p>Director of Outlook Investment Pte Ltd.</p> <p>Director of KNH Enterprise Co., Ltd.</p> <p>Supervisor of Jiou Hong Industrial Co., Ltd.</p>	<p>Director of Taichu Engineer Co., Ltd.</p> <p>Director of Outlook Investment Pte Ltd.</p> <p>Director of KNH Enterprise Co., Ltd.</p> <p>Supervisor of Jiou Hong Industrial Co., Ltd.</p>	2,167,717
3	Director	Hsieh, Hsiu-Ling	MBA, University Of Texas At Dallas.	<p>Finance and Secretary of Dongyi Enterprise Co., Ltd.</p> <p>Supervisor of KNH Enterprise Co., Ltd.</p>	<p>Supervisor of KNH Enterprise Co., Ltd.</p>	1,331,000

No.	Candidate category	Name	Main education	Experience	Main current job	Number of shares
4	Director	Tai, Hsiu-Ling	Home Economics, Shih Chien College.	<p>General Manager of KNH (Shanghai) Co., Ltd. Director of Procurement Division of KNH Enterprise Co., Ltd. Director of Litertex Co., Ltd. Chairman and General Manager of Shanghai Kang You International Trading Co., Ltd. Director of Captain Holding Co., Ltd. Chairman of KNH (Shanghai) Co., Ltd. Director and General Manager of ChengDu KNH Technology Co., Ltd. Chairman of Southstar Assets Limited. Chairman of Well Held Internation Limited. Director / General Manager of KNH Enterprise Co., Ltd. Director of K. Jie Water & Environmental Engineering Co., Ltd. Director of Outlook Investment Pte Ltd. Chairman and General Manager of Shanghai KNH International Trading Co., Ltd. Chairman of KNH (Yangzhou) Co., Ltd. Director of Carnation International Inc. Director of Kangyao Investment Co., Ltd.</p>	<p>Chairman of KNH (Shanghai) Co., Ltd. Director and General Manager of ChengDu KNH Technology Co., Ltd. Chairman of Southstar Assets Limited. Chairman of Well Held Internation Limited. Director / General Manager of KNH Enterprise Co., Ltd. Director of K. Jie Water & Environmental Engineering Co., Ltd. Director of Outlook Investment Pte Ltd. Chairman and General Manager of Shanghai KNH International Trading Co., Ltd. Chairman of KNH (Yangzhou) Co., Ltd. Director of Carnation International Inc. Director of Kangyao Investment Co., Ltd.</p>	1,343,487
5	Director	Lin, Min-Chen	MBA, Royal Roads University.	<p>CEO & CTO Of Evans Information Management Corp. Vice President Of Taiwan Keel Boat Association. Supervisor of KNH Enterprise Co., Ltd.</p>	<p>CEO & CTO Of Evans Information Management Corp. Vice President Of Taiwan Keel Boat Association. Supervisor of KNH Enterprise Co., Ltd.</p>	477,745

No.	Candidate category	Name	Main education	Experience	Main current job	Number of shares
6	Director	Kangyao Investment Co., Ltd.: (Representative of Juristic person: Tai, Fu-Jen)	EMBA of Chang Jung Christian University	Director of Jian Sheng Bitumen Enterprise Ltd. General Manager of K. Jie Water & Environmental Engineering Co., Ltd. Director of K. Jie Water & Environmental Engineering Co., Ltd. Director of Chengchuan Co., Ltd. Director of KNH Enterprise Co., Ltd. Supervisor of Jian Sheng Bitumen Enterprise Ltd.	Director of K. Jie Water & Environmental Engineering Co., Ltd. Director of Chengchuan Co., Ltd. Director of KNH Enterprise Co., Ltd. Supervisor of Jian Sheng Bitumen Enterprise Ltd.	Juristic person 38,089,000 (Representative of Juristic person 1,169,154)
7	Independent Director	Tai, Chien	PhD in Genetics, University of California, Davis	Director of the General Taiwan Live Stock Research Institute. Deputy Commissioner of Department of Agriculture and Forestry Taiwan Province Government. Professor and Director of Institute of Biotechnology, NCKU. Director of Development Office of Tainan Science-based Industrial Park National Science Council, Executive Yuan. Chairman of Alumni Association of 14th term of Tainan First Senior High School. Director of Southern Taiwan Science Park, National Science Council, Executive Yuan. Vice Chairman of National Science Council. President of Southern Taiwan University of Science and Technology. Independent Director of Tainan Spinning Co., Ltd. Independent Director of Prince Housing & Development Corp.	Chairman of Food Safety Alliance of Tainan City. Director of Testing Center for Technological & Vocational Education Foundation, Ministry of Education. Director of Chi Mei Medical Hospital. Committee of The Industrial Development & Investment Promotion Committee of Tainan City. Chairman of Sino-Indonesia Cultural and Economic Association. Chairman of Taiwan Biotechnology Industry Alliance. Committee of Operation Fund Supervision of Science Park Administration, Bureau Ministry of Science and Technology. Professor of Department of Business Administration Kun Shan University.	0

No.	Candidate category	Name	Main education	Experience	Main current job	Number of shares
8	Independent Director	Hwang, Jen-Te	Doctor in Economics, State University of New York.	<p>Director / Member of Compensation Committee of KNH Enterprise Co., Ltd.</p> <p>Chairman of CPC Corporation, Taiwan.</p> <p>Director of Industrial Technology Research Institute, Ministry of Economy Affair.</p> <p>Chairman of Food Safety Alliance of Tainan City.</p> <p>Director of Testing Center for Technological & Vocational Education Foundation, Ministry of Education.</p> <p>Director of Chi Mei Medical Hospital.</p> <p>Member of Committee of The Industrial Development & Investment Promotion Committee of Tainan City.</p> <p>Chairman of Sino-Indonesia Cultural and Economic Association.</p> <p>Chairman of Taiwan Biotechnology Industry Alliance.</p> <p>Member of Committee of Operation Fund Supervision of Science Park Administration, Bureau Ministry of Science and Technology.</p> <p>Professor of Department of Business Administration Kun Shan University.</p>	<p>Adjunct Professor of Department of Economics, National Chengchi University.</p> <p>Director / Member of Compensation Committee of KNH Enterprise Co., Ltd.</p>	0

No.	Candidate category	Name	Main education	Experience	Main current job	Number of shares
9	Independent Director	Chang, Chwen-Ming	PhD in Information Management, Royal Holloway College, University of London	Dean of School of Business, Kainan University. Adjunct Professor of Department of Economics, National Chengchi University. Director / Member of Compensation Committee of KNH Enterprise Co., Ltd.	Professor of Department of Business Administration, CJCU. Consultant of Remuneration Committee of KNH Enterprise Co., Ltd.	0

Note: The number of shares held by KNH Enterprise Co., Ltd. as of April 13, 2020 on the book closure date.