

CHINA ECOTEK CORPORATION

HANDBOOK FOR THE 2018 ANNUAL
SHAREHOLDERS' MEETING

Liuhe Room, Kaohsiung Business Convention
Center

3F, No.5, Zhongshan 2nd Rd, Kaohsiung 80661,
Taiwan, R.O.C.

JUNE 22, 2018

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中宇環保工程股份有限公司
CHINA ECOTEK CORPORATION

CHINA ECOTEK CORPORATION

I. 2018 ANNUAL SHAREHOLDERS' MEETING PROCEDURE

- A. Call Meeting to Order
- B. Chairman's Address
- C. Report Items
- D. Ratification and Discussion Items
- E. Extraordinary Motions
- F. Adjournment

II. Report Items

- A. Report for the Distribution Of 2017 Compensation of Directors and Employees.
 - a. According to the regulation of Article 32 of Articles of Incorporation.
 - b. Director compensation: 0.6275%, NT \$1,399,361
Employee compensation: 3.1377%, NT \$6,996,803.
- B. Report for the Company's 2017 Business Operation and Financial Statements.
 - a. Report of the business and operation in 2017
 - b. Report of the 2017 Financial Statements.
- C. Statutory Supervisors' Review of 2017 Audited Financial Statements.
- D. The Amendments to "Regulations Governing Procedure for Board of Directors Meetings".
(Please refer to attachment 1)
- E. The Establishment of Ethical Corporate Management Best Practice Principles.
(Please refer to attachment 2)
- F. Other Report Items



III. Ratification and Discussion Items

Proposal 1:

To approve the 2017 Business Report and Financial Statements.

(Proposed by the Board of Directors)

Explanatory Note:

Please refer to Attachment 3 for the business report and financial statements.

Resolution:

Proposal 2:

To approve the proposal for distribution of 2017 profits.

(Proposed by the Board of Directors)

Explanatory Note:

Please refer to Attachment 4 for the earnings distribution plan.

Resolution:

Proposal 3:

The Amendments to “Company Act”

(Proposed by the Board of Directors)

Explanatory Note:

Please refer to Attachment 5 for the comparison table for the amended and original provisions.

Resolution:

Proposal 4:

The Amendments to “Rules For Regulations Governing The Acquisition And Disposal Of Assets”

(Proposed by the Board of Directors)

Explanatory Note:

Please refer to Attachment 6 for the original provisions.

Resolution:



IV. Extraordinary Motions



V. Attachments

Comparison Table of Drafted Amendments to Regulations Governing Procedure for Board of Directors Meetings of China Ecotek Corporation

Amended provisions	Original provisions	Explanation
<p>Article 3</p> <p><u>Management</u> department is the agenda in charge of the affairs of the board of directors meeting.</p>	<p>Article 3</p> <p><u>Administration</u> department is the agenda in charge of the affairs of the board of directors meeting.</p>	Amendments are made in accordance with the Organizational Charter
<p>Article 4</p> <p style="text-align: center;">(omitted)</p> <p>A director of the opinion that the pre-meeting materials provided are insufficiently comprehensive may request the <u>Management</u> department to supplement the materials. If a director is of the opinion that materials concerning any proposal are insufficient in content, the deliberation of such proposal may be postponed by a resolution of the board of directors.</p>	<p>Article 4</p> <p style="text-align: center;">(omitted)</p> <p>A director of the opinion that the pre-meeting materials provided are insufficiently comprehensive may request the <u>Administration</u> department to supplement the materials. If a director is of the opinion that materials concerning any proposal are insufficient in content, the deliberation of such proposal may be postponed by a resolution of the board of directors.</p>	Amendments are made in accordance with the Organizational Charter
<p>Article 7</p> <p>The company shall submit the following items for discussion by the board of directors:</p> <ol style="list-style-type: none"> 1. Corporate business plan of <u>the company</u>. 2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be audited and attested by a certified public accountant (CPA). 3. Adoption or amendment of an internal control system <u>pursuant to Article 14-1 of the Securities and Exchange Act, and an assessment of the effectiveness of the internal control system.</u> 	<p>Article 7</p> <p>The company shall submit the following items for discussion by the board of directors:</p> <ol style="list-style-type: none"> 1. Corporate business plan. 2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be audited and attested by a certified public accountant (CPA). 3. Adoption or amendment of an internal control system. 	Amendments are made in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies

<p>4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.</p> <p>5. The offering, issuance, or private placement of any equity-type securities.</p> <p>6. The appointment or discharge of a financial, accounting, or internal audit officer.</p> <p>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 for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.</p> <p>8. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or board of directors meeting, or any such significant matter as may be prescribed by the competent authority.</p> <p>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.</p>	<p>4. Adoption or amendment of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.</p> <p>5. The offering, issuance, or private placement of any equity-type securities.</p> <p>6. The appointment or discharge of a financial, accounting, or internal audit officer.</p> <p>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 for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.</p> <p>8. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or board of directors meeting, or any such significant matter as may be prescribed by the competent authority.</p> <p>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 any</p>	
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The term "major donation to a non-related party" means any 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 are exempted from inclusion in the calculation.

For foreign companies whose stock has no par value or a par value other than NTD10, the "5 percent of paid-in capital" in paragraph 2 above shall be calculated instead as 2.5 percent of shareholder equity.

It shall at least one independent director shall attend each meeting in person. In the case of a meeting concerning any matter required to be submitted for a resolution by the board of directors under paragraph 1, each independent director shall attend in person; if an independent director is unable to attend in person, he or she shall appoint another independent director to attend as his or her proxy. If an independent director expresses any objection or reservation about a matter, it

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.

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<p>shall be recorded in the board meeting minutes. An independent director intending to express an objection or reservation but unable to attend the meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes.</p>	<p>person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes.</p>	
<p>Article 12 If attendance of a director in person is not possible, they may appoint another director to attend as their proxy. A proxy under previous paragraph may accept a proxy from one person only. A director appointing another director to attend a board meeting in his or her place shall in each case give to that director a written proxy stating the scope of authorization with respect to the reasons for meeting. Attendance via tele- or video-conference is deemed as attendance in person.</p>	<p>Article 12 If attendance of a director in person is not possible, they may appoint another director to attend as their proxy. <u>However, after the establishment of independent directors, if the independent director is unable to attend the board of directors specified in Article 14 of the Securities and Exchange Act, he or she must appoint another independent director to attend the matter.</u> A proxy under previous paragraph may accept a proxy from one person only. A director appointing another director to attend a board meeting in his or her place shall in each case give to that director a written proxy stating the scope of authorization with respect to the reasons for meeting. Attendance via tele- or video-conference is deemed as attendance in person.</p>	<p>Amendments are made in accordance with the Organizational Charter</p>
<p>Article 13 The managerial department shall, on each board meeting, propose a written proposal which is related with authority of the board of directors of its business. Before each regular board meeting, the <u>management</u> department shall consult the directors in advance for written proposals. If a director has a written</p>	<p>Article 13 The managerial department shall, on each board meeting, propose a written proposal which is related with authority of the board of directors of its business. Before each regular board meeting, the <u>administration</u> department shall consult the directors in advance for written proposals. If a director has a written</p>	<p>Amendments are made in accordance with the Organizational Charter</p>

<p>proposal, the director shall be compiled in the agenda of the meeting of board of directors.</p>	<p>proposal, the director shall be compiled in the agenda of the meeting of board of directors.</p>	
<p>Article 14 The agenda of the meeting of board of directors was formulated by the <u>management</u> department and approved by Chairman. Besides the proposal that have been fixed, there are Extraordinary Motions. If the managerial department has unexpected emergencies or reasonable explanation fails to include the proposal in the agenda, it can be proposed after it has been approved by the chairman.</p>	<p>Article 14 The agenda of the meeting of board of directors was formulated by the <u>administration</u> department and approved by Chairman. Besides the proposal that have been fixed, there are Extraordinary Motions. If the managerial department has unexpected emergencies or reasonable explanation fails to include the proposal in the agenda, it can be proposed after it has been approved by the chairman.</p>	<p>Amendments are made in accordance with the Organizational Charter</p>
<p>Article 27 The resolutions of the meeting of board of directors need to be released by the spokesperson. If there is a statutory statute or material information stipulated by the Taiwan Stock Exchange, the <u>management</u> department shall also transmit the content to the public information observing station within the prescribed time. It shall also apply if the independent directors have objections or reservations to their resolutions related to the provisions of Article 14-3 of the Securities Exchange Act, and there are records or written statements.</p>	<p>Article 27 The resolutions of the meeting of board of directors need to be released by the spokesperson. If there is a statutory statute or material information stipulated by the Taiwan Stock Exchange, the <u>administration</u> department shall also transmit the content to the public information observing station within the prescribed time. It shall also apply if the independent directors have objections or reservations to their resolutions related to the provisions of Article 14-3 of the Securities Exchange Act, and there are records or written statements.</p>	<p>Amendments are made in accordance with the Organizational Charter</p>

Ethical Corporate Management Best Practice Principles for China Ecotek Corporation

- Article 1 These Principles are adopted to assist the company to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices in reference to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
- Article 2 When engaging in commercial activities, directors, supervisors, managers, employees, and mandataries of the company or persons having substantial control over such companies ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.
- Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers or other stakeholders.
- Article 3 "Benefits" in these Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.
- Article 4 The company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.
- Article 5 The company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.
- Article 6 Based on the business philosophy and policies mentioned in the previous article, the company has also established separate operating procedures and behavior guidelines for integrity management. shall comply with relevant laws and regulations of the territory where the companies and their business group are operating.
- Article 7 When establishing the prevention programs, the company shall analyze which business activities within their business scope which are possibly at a higher risk

of being involved in an unethical conduct, and strengthen the preventive measures.

The prevention programs adopted by the company shall at least include preventive measures against the following

1. Offering and acceptance of bribes.
2. Illegal political donations.
3. Improper charitable donations or sponsorship.
4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.
5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.
6. Engaging in unfair competitive practices.
7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.

Article 8 The company and their respective business group shall clearly specify in their rules for ethical corporate management policies and the commitment by the board of directors and the management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

Article 9 The company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management.

Prior to any commercial transactions, the company shall take into consideration the legality of their agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved.

When entering into contracts with their agents, suppliers, clients, or other trading counterparties, the company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the company may at any time terminate or rescind the contracts.

Article 10 When conducting business, the company and their directors, managers, employees, mandataries, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders. If it comply with relevant laws and regulations shall be excluded.

Article 11 When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the company and their directors, managers, employees, mandataries, and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

Article 12 When making or offering donations and sponsorship, the company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

Article 13 The company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.

Article 14 The company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations, the company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.

Article 15 The company shall engage in business activities in accordance with applicable competition laws and regulations, and comply with the rules of Fair Trade Act and other related competition laws.

Article 16 In the course of research and development, procurement, manufacture, provision, or sale of products and services, the company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services.

Article 17 The directors, supervisors, managers, employees, mandataries, and substantial controllers of the company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.

To achieve sound ethical corporate management, some units within the company are responsible for handling the following matters. It shall supervised by auditor and report to the board of directors:

1. Human Resource Management department:

(1) Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.

(2) Promoting and coordinating awareness and educational activities with respect to ethics policy.

2. Legal Office:

(1) Assisting in incorporating ethics and moral values into the company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.

(2) Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures in accordance with regulations.

(3) Formulating internal regulations of the company, such as Guidelines for the Adoption of Codes of Ethical Conduct for Board of Directors, manager and employee.

Article 18 The company and their directors, managers, employees, mandataries, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.

Article 19 The company adopted policies(such as Guidelines for the Adoption of Codes of Ethical Conduct for Board of Directors, manager and employee) for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct.

When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, supervisors, managers, and other stakeholders attending or present at board meetings of the company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.

The company's directors, supervisors, managers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.

Article 20 The company shall establish effective accounting systems and internal control systems, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems

are showing results.

The internal audit unit of a the company shall periodically examine the company's compliance with the foregoing systems and prepare audit reports and submit the same to the board of directors. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.

Article 21 The chairperson, general manager, or senior management of the company shall communicate the importance of corporate ethics to its directors, employees, and mandataries on a regular basis.

Article 22 The company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:

- (1) Establishing and publishing the appeal system to allow company insiders and outsiders to submit reports. °
- (2) Dedicated personnel or unit appointed to handle whistle-blowing system
- (3) Documentation of case acceptance, investigation processes, investigation results, and relevant documents.
- (4) Confidentiality of the identity of whistle-blowers and the content of reported cases.
- (5) Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing. °

Article 23 The ethical corporate management best practice principles of the company shall be implemented after the board of directors grants the approval, and shall be sent to the supervisors and reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended.

When the ethical corporate management best practice principles are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objection or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.

CHINA ECOTEK CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2017		December 31, 2016		LIABILITIES AND EQUITY	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 1,245,786	16	\$ 1,492,297	20	Short-term borrowings	\$ 510,000	7	\$ 550,000	7
Available-for-sale financial assets— current	-	-	96,245	1	Short-term notes and bills payable	499,926	6	1,399,600	19
Notes receivable— related parties	6,848	-	-	-	Notes payable	112,446	1	-	-
Accounts receivable	211,618	3	257,126	3	Accounts payable	511,362	7	408,906	5
Accounts receivable— related parties	1,262,565	16	467,844	6	Accounts payable— related parties	44,107	1	193,236	3
Amounts due from customers for construction contracts	1,674,248	22	1,399,166	19	Amounts due to customers for construction contracts	1,631,451	21	643,766	9
Other accounts receivable	27,499	-	16,064	-	Other accounts payable	442,832	6	464,095	6
Current tax assets	815	-	3,689	-	Current income tax liabilities	52,482	1	26,301	-
Inventories	4,989	-	6,505	-	Provisions— current	103,594	1	86,218	1
Non-current assets held for sale	212,780	3	-	-	Other current liabilities	231,429	3	104,776	1
Other financial assets— current	1,516,524	20	2,149,956	29	Total current liabilities	4,139,629	54	3,876,898	51
Other current assets	219,372	3	258,075	3					
Total current assets	6,383,044	83	6,146,967	81	NONCURRENT LIABILITIES				
NONCURRENT ASSETS					Provisions— non-current	6,696	-	12,835	1
Available-for-sale financial assets— non-current	150,995	2	198,862	3	Deferred income tax liabilities	128,137	2	155,646	2
Investments accounted for using equity method	804,397	11	929,067	12	Accrued pension liabilities	309,528	4	312,574	4
Property, plant and equipment	168,940	2	175,559	3	Other noncurrent liabilities	1,550	-	1,550	-
Investment property	14,715	-	14,715	-	Total non-current liabilities	445,911	6	482,605	7
Intangible assets	9,663	-	10,410	-					
Deferred income tax assets	89,183	1	75,572	1	Total liabilities	4,585,540	60	4,359,503	58
Refundable deposits	24,687	1	8,167	-					
Other financial assets— non-current	1,553	-	1,552	-	EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Other non-current assets	764	-	4,879	-	Common shares	1,237,426	16	1,237,426	16
Total non-current assets	1,264,897	17	1,418,783	19	Capital surplus	628,374	8	628,374	8
					Retained earnings				
					Legal reserve	572,472	7	547,671	7
					Unappropriated earnings	652,316	9	713,487	10
					Total retained earnings	1,224,788	16	1,261,158	17
					Other equity	(28,187)	-	79,289	1
					Total equity	3,062,401	40	3,206,247	42
TOTAL	\$ 7,647,941	100	\$ 7,565,750	100	TOTAL	\$ 7,647,941	100	\$ 7,565,750	100

CHINA ECOTEK CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earning Per Share)

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
OPERATING INCOME				
Sales revenue	\$ 100,693	1	\$ 104,719	1
Engineering revenue	9,604,793	96	8,111,555	96
Technical service revenue	<u>265,907</u>	<u>3</u>	<u>258,708</u>	<u>3</u>
Total operating income	<u>9,971,393</u>	<u>100</u>	<u>8,474,982</u>	<u>100</u>
OPERATING COSTS				
Sales cost	82,799	1	102,174	1
Engineering cost	8,961,600	90	7,188,552	85
Technical service cost	<u>207,781</u>	<u>2</u>	<u>176,291</u>	<u>2</u>
Total operating costs	<u>9,252,180</u>	<u>93</u>	<u>7,467,017</u>	<u>88</u>
GROSS PROFIT	<u>719,213</u>	<u>7</u>	<u>1,007,965</u>	<u>12</u>
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES				
	<u>30,111</u>	<u>-</u>	<u>-</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>689,102</u>	<u>7</u>	<u>1,007,965</u>	<u>12</u>
OPERATING EXPENSES				
Marketing expenses	44,134	-	75,316	1
Administration expenses	376,793	4	386,475	5
Research and development expenses	<u>17,646</u>	<u>-</u>	<u>28,058</u>	<u>-</u>
Total operating expenses	<u>438,573</u>	<u>4</u>	<u>489,849</u>	<u>6</u>
PROFIT FROM OPERATING	<u>250,529</u>	<u>3</u>	<u>518,116</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	75,543	1	78,031	1
Other gains and losses	(35,966)	-	(32,014)	-
Financial costs	(8,987)	-	(7,983)	-
Shares of gains (losses) of associates accounted for using equity method	(<u>37,044</u>)	(<u>1</u>)	(<u>155,169</u>)	(<u>2</u>)
Total	(<u>6,454</u>)	<u>-</u>	(<u>117,135</u>)	(<u>1</u>)

(carried forward)

(brought forward)

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 244,075	3	\$ 400,981	5
INCOME TAX EXPENSE	<u>57,271</u>	<u>1</u>	<u>152,969</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>186,804</u>	<u>2</u>	<u>248,012</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	3,504	-	(78,604)	(1)
Share of other comprehensive income of associates accounted for using equity method	(3,346)	-	(2,907)	-
Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss	(595)	-	13,363	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(57,154)	-	(117,509)	(1)
Unrealized gains (losses) on available-for-sale financial assets	(63,409)	(1)	24,004	-
Cash flow hedge	5,138	-	(42,928)	-
Share of other comprehensive income of associates accounted for using equity method	(419)	-	10,873	-

(carried forward)

(brought forward)

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
Income tax expense relating to items that may be reclassified subsequently to profit or loss	\$ 8,368	-	\$ 29,132	-
Other comprehensive income for the period, net of income tax	(107,913)	(1)	(164,576)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 78,891</u>	<u>1</u>	<u>\$ 83,436</u>	<u>1</u>
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE CORPORATION	<u>\$ 186,804</u>		<u>\$ 248,012</u>	
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE CORPORATION	<u>\$ 78,891</u>		<u>\$ 83,436</u>	
EARNINGS PER SHARE				
Basic	<u>\$ 1.51</u>		<u>\$ 2.00</u>	
Diluted	<u>1.51</u>		<u>2.00</u>	

CHINA ECOTEK CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Common shares		Capital Surplus	Retained Earnings			Other Equity				Total Equity
	Shares In thousands	Amount		Legal Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-for-sale Financial Assets	Cash Flow Hedge	Total Other Equity	
BALANCE AT JANUARY 1, 2016	<u>123,743</u>	<u>1,237,426</u>	<u>628,374</u>	<u>496,779</u>	<u>955,743</u>	<u>1,452,522</u>	<u>37,794</u>	<u>131,001</u>	<u>6,922</u>	<u>175,717</u>	<u>3,494,039</u>
Appropriation of 2015 earnings											
Legal reserve	-	-	-	50,892	(50,892)	-	-	-	-	-	-
Cash dividends to ordinary shareholders - 30%	-	-	-	-	(371,228)	(371,228)	-	-	-	-	(371,228)
	-	-	-	50,892	(422,120)	(371,228)	-	-	-	-	(371,228)
Net profit for the year ended December 31, 2016	-	-	-	-	248,012	248,012	-	-	-	-	248,012
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-	(68,148)	(68,148)	(97,897)	37,099	(35,630)	(96,428)	(164,576)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	179,864	179,864	(97,897)	37,099	(35,630)	(96,428)	83,436
BALANCE AT DECEMBER 31, 2016	<u>123,743</u>	<u>\$ 1,237,426</u>	<u>\$ 628,374</u>	<u>\$ 547,671</u>	<u>\$ 713,487</u>	<u>\$ 1,261,158</u>	<u>(\$ 60,103)</u>	<u>\$ 168,100</u>	<u>(\$ 28,708)</u>	<u>\$ 79,289</u>	<u>\$ 3,206,247</u>
Appropriation of 2016 earnings											
Legal reserve	-	-	-	24,801	(24,801)	-	-	-	-	-	-
Cash dividends to ordinary shareholders - 18%	-	-	-	-	(222,737)	(222,737)	-	-	-	-	(222,737)
	-	-	-	24,801	(247,538)	(222,737)	-	-	-	-	(222,737)
Net profit for the year ended December 31, 2017	-	-	-	-	186,804	186,804	-	-	-	-	186,804
Other comprehensive income for the year ended December 31, 2017, net of income tax	-	-	-	-	(437)	(437)	(49,554)	(62,187)	4,265	(107,476)	(107,913)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	186,367	186,367	(49,554)	(62,187)	4,265	(107,476)	78,891
BALANCE AT DECEMBER 31, 2017	<u>123,743</u>	<u>\$ 1,237,426</u>	<u>\$ 628,374</u>	<u>\$ 572,472</u>	<u>\$ 652,316</u>	<u>\$ 1,224,788</u>	<u>(\$ 109,657)</u>	<u>\$ 105,913</u>	<u>(\$ 24,443)</u>	<u>(\$ 28,187)</u>	<u>\$ 3,062,401</u>

CHINA ECOTEK CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 244,075	\$ 400,981
Adjustments for:		
Depreciation expense	19,226	18,937
Amortization expense	7,676	8,399
Allowance (reversal) for doubtful accounts	(2,837)	1,903
Net gain on financial assets and liabilities at fair value through profit or loss	-	(2,485)
Finance costs	8,987	7,983
Interest income	(59,858)	(48,236)
Dividend income	(14,655)	(15,590)
Share of the profit of associates	37,044	155,169
Net gains on disposal of investments	(57,746)	(444)
Impairment loss of financial assets	20,000	-
Unrealized gross profit	30,111	-
Recognition of provisions	21,809	21,448
Recognition of Unrealized construction Losses	208,075	155,205
Others	(12)	16
Changes in operating assets and liabilities		
Financial instruments held for trading	-	21,394
Notes receivable - related parties	(6,848)	20,629
Accounts receivable	45,508	(20,960)
Accounts receivable - related parties	(791,813)	98,569
Amounts due from customers for construction contracts	(483,157)	(791,679)
Other receivables	(16,317)	1,303
Inventories	1,516	128
Other current assets	78,943	173,697
Notes payable	112,446	(1,794)
Accounts payable	102,456	(2,004)
Accounts payable - related parties	(149,129)	130,427
Amounts due to customers for construction contracts	987,685	(500,897)
Other payables	(21,396)	(62,675)
Provisions	(10,572)	(12,781)
Other current liabilities	124,880	(217)
Net defined benefit liabilities	458	167
Cash generated from operations	436,555	(243,407)
(carried forward)		

(brought forward)

	For the Year Ended December 31	
	2017	2016
Income taxes paid	(\$ 61,563)	(\$ 108,216)
Net cash generated from operating activities	<u>374,992</u>	(<u>351,623</u>)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(8,793)
Proceeds from disposal of available-for-sale financial assets	118,449	658
Acquisition of investments accounted for using equity method	(170,000)	(120,000)
Acquisition of property, plant and equipment	(12,637)	(13,602)
Proceeds from disposal of property, plant and equipment	12	462
Increase in refundable deposits	(56,760)	-
Decrease in refundable deposits	-	27,648
Acquisition of intangible assets	(6,929)	(8,733)
Increase in other financial assets	-	(507,212)
Decrease in other financial assets	638,570	-
Decrease in other noncurrent assets	4,115	1,484
Interest received	64,739	45,199
Dividends received from others	14,655	15,590
Dividends received from associates	<u>2,125</u>	<u>122,699</u>
Net cash used in investing activities	<u>596,339</u>	(<u>444,600</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	-	423,836
Decrease in short-term borrowings	(40,000)	-
Increase in short-term bills payable	-	1,000,000
Decrease in short-term bills payable	(900,000)	-
Increase in guarantee deposits	1,773	-
Decrease in guarantee deposits	-	(2,782)
Dividends paid to owners of the Corporation	(222,737)	(371,228)
Interest paid	(<u>8,564</u>)	(<u>8,210</u>)
Net cash used in financing activities	(<u>1,169,528</u>)	<u>1,041,616</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	(\$ <u>48,314</u>)	(\$ <u>88,721</u>)

(carried forward)

(brought forward)

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(246,511)	156,672
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,492,297</u>	<u>1,335,625</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,245,786</u>	<u>\$ 1,492,297</u>

CHINA ECOTEK CORPORATION

STANDALONE BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31,2017		December 31,2016		LIABILITIES AND EQUITY	December 31,2017		December 31,2016	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 924,604	13	\$ 1,084,067	15	Short-term borrowings	\$ 510,000	7	\$ 550,000	8
Available-for-sale financial assets— current	-	-	96,245	1	Short-term notes and bills payable	499,926	7	1,399,600	19
Accounts receivable	101,460	1	253,845	4	Notes payable	112,446	1	-	-
Accounts receivable— related parties	1,254,899	17	388,771	5	Accounts payable	428,783	6	338,762	5
Amounts due from customers for construction contracts	1,359,088	18	1,355,500	19	Accounts payable— related parties	39,753	1	178,662	3
Other accounts receivable	20,118	-	3,985	-	Amounts due to customers for construction contracts	1,586,475	21	450,222	6
Inventories	4,989	-	5,208	-	Other accounts payable	440,301	6	462,142	6
Other financial assets— current	1,110,231	15	1,424,535	20	Current income tax liabilities	25,838	-	18,580	-
Other current assets	126,958	2	156,433	2	Provisions— current	103,594	1	86,218	1
Total current assets	<u>4,902,347</u>	<u>66</u>	<u>4,768,589</u>	<u>66</u>	Other current liabilities	220,701	3	101,023	1
					Total current liabilities	<u>3,967,817</u>	<u>53</u>	<u>3,585,209</u>	<u>49</u>
NONCURRENT ASSETS					NONCURRENT LIABILITIES				
Available-for-sale financial assets— non-current	150,995	2	198,862	3	Provisions— non-current	6,696	-	12,835	-
Investments accounted for using equity method	2,117,548	29	2,020,242	28	Deferred income tax liabilities	128,137	2	155,646	2
Property, plant and equipment	166,195	2	175,480	2	Accrued pension liabilities	309,528	4	312,574	5
Investment property	14,715	-	14,715	-	Guarantee deposits	20	-	20	-
Intangible assets	9,652	-	10,200	-	Other noncurrent liabilities	1,550	-	1,550	-
Deferred income tax assets	89,171	1	75,564	1	Total non-current liabilities	<u>445,931</u>	<u>6</u>	<u>482,625</u>	<u>7</u>
Refundable deposits	23,209	-	7,213	-					
Other financial assets— non-current	1,553	-	1,552	-	Total liabilities	<u>4,413,748</u>	<u>59</u>	<u>4,067,834</u>	<u>56</u>
Other non-current assets	764	-	1,664	-					
Total non-current assets	<u>2,573,802</u>	<u>34</u>	<u>2,505,492</u>	<u>34</u>	EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
					Common shares	1,237,426	17	1,237,426	17
					Capital surplus	628,374	8	628,374	9
					Retained earnings				
					Legal reserve	572,472	7	547,671	7
					Unappropriated earnings	652,316	9	713,487	10
					Total retained earnings	1,224,788	16	1,261,158	17
					Other equity	(28,187)	-	79,289	1
					Total equity	<u>3,062,401</u>	<u>41</u>	<u>3,206,247</u>	<u>44</u>
TOTAL	<u>\$ 7,476,149</u>	<u>100</u>	<u>\$ 7,274,081</u>	<u>100</u>	TOTAL	<u>\$ 7,476,149</u>	<u>100</u>	<u>\$ 7,274,081</u>	<u>100</u>

CHINA ECOTEK CORPORATION

STANDALONE STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earning Per Share)

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
OPERATING INCOME				
Sales revenue	\$ 99,422	1	\$ 104,719	1
Engineering revenue	7,893,406	96	6,937,916	95
Technical service revenue	<u>265,907</u>	<u>3</u>	<u>258,708</u>	<u>4</u>
Total operating income	<u>8,258,735</u>	<u>100</u>	<u>7,301,343</u>	<u>100</u>
OPERATING COSTS				
Sales cost	81,509	1	102,174	1
Engineering cost	7,407,507	90	6,121,444	84
Technical service cost	<u>207,781</u>	<u>2</u>	<u>176,291</u>	<u>3</u>
Total operating costs	<u>7,696,797</u>	<u>93</u>	<u>6,399,909</u>	<u>88</u>
GROSS PROFIT	<u>561,938</u>	<u>7</u>	<u>901,434</u>	<u>12</u>
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES				
	<u>30,111</u>	<u>1</u>	<u>-</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>531,827</u>	<u>6</u>	<u>901,434</u>	<u>12</u>
OPERATING EXPENSES				
Marketing expenses	44,134	1	75,316	1
Administration expenses	354,410	4	363,307	5
Research and development expenses	<u>17,646</u>	<u>-</u>	<u>28,058</u>	<u>-</u>
Total operating expenses	<u>416,190</u>	<u>5</u>	<u>466,681</u>	<u>6</u>
PROFIT FROM OPERATING	<u>115,637</u>	<u>1</u>	<u>434,753</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	39,717	-	50,492	1
Other gains and losses	(10,070)	-	(31,748)	(1)
Financial costs	(8,987)	-	(7,938)	-
Shares of gains (losses) of associates accounted for using equity method	<u>78,299</u>	<u>1</u>	<u>(110,020)</u>	<u>(2)</u>
Total	<u>98,959</u>	<u>1</u>	<u>(99,214)</u>	<u>(2)</u>
(carried forward)				

(brought forward)

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 214,596	2	\$ 335,539	4
INCOME TAX EXPENSE	<u>27,792</u>	<u>-</u>	<u>87,527</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>186,804</u>	<u>2</u>	<u>248,012</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	3,504	-	(78,604)	(1)
Share of other comprehensive income of associates accounted for using equity method	(3,346)	-	(2,907)	-
Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss	(595)	-	13,363	-
Items that may be reclassified subsequently to profit or loss				
Unrealized gains (losses) on available-for-sale financial assets	(63,409)	(1)	24,004	-
Cash flow hedge	5,138	-	(42,928)	-
Share of other comprehensive income of associates accounted for using equity method	(57,573)	-	(106,636)	(1)

(carried forward)

(brought forward)

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
Income tax expense relating to items that may be reclassified subsequently to profit or loss	\$ 8,368	-	\$ 29,132	-
Other comprehensive income for the period, net of income tax	(107,913)	(1)	(164,576)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 78,891</u>	<u>1</u>	<u>\$ 83,436</u>	<u>1</u>
EARNINGS PER SHARE				
Basic	<u>\$ 1.51</u>		<u>\$ 2.00</u>	
Diluted	<u>1.51</u>		<u>2.00</u>	

CHINA ECOTEK CORPORATION

STANDALONE STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Common shares		Capital Surplus	Retained Earnings			Other Equity				Total Equity
	Shares In thousands	Amount		Legal Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-for-sale Financial Assets	Cash Flow Hedge	Total Other Equity	
BALANCE AT JANUARY 1, 2016	<u>123,743</u>	<u>1,237,426</u>	<u>628,374</u>	<u>496,779</u>	<u>955,743</u>	<u>1,452,522</u>	<u>37,794</u>	<u>131,001</u>	<u>6,922</u>	<u>175,717</u>	<u>3,494,039</u>
Appropriation of 2015 earnings											
Legal reserve	-	-	-	50,892	(50,892)	-	-	-	-	-	-
Cash dividends to ordinary shareholders - 30%	-	-	-	-	(371,228)	(371,228)	-	-	-	-	(371,228)
	-	-	-	50,892	(422,120)	(371,228)	-	-	-	-	(371,228)
Net profit for the year ended December 31, 2016	-	-	-	-	248,012	248,012	-	-	-	-	248,012
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-	(68,148)	(68,148)	(97,897)	37,099	(35,630)	(96,428)	(164,576)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	179,864	179,864	(97,897)	37,099	(35,630)	(96,428)	83,436
BALANCE AT DECEMBER 31, 2016	<u>123,743</u>	<u>\$ 1,237,426</u>	<u>\$ 628,374</u>	<u>\$ 547,671</u>	<u>\$ 713,487</u>	<u>\$ 1,261,158</u>	<u>(\$ 60,103)</u>	<u>\$ 168,100</u>	<u>(\$ 28,708)</u>	<u>\$ 79,289</u>	<u>\$ 3,206,247</u>
Appropriation of 2016 earnings											
Legal reserve	-	-	-	24,801	(24,801)	-	-	-	-	-	-
Cash dividends to ordinary shareholders - 18%	-	-	-	-	(222,737)	(222,737)	-	-	-	-	(222,737)
	-	-	-	24,801	(247,538)	(222,737)	-	-	-	-	(222,737)
Net profit for the year ended December 31, 2017	-	-	-	-	186,804	186,804	-	-	-	-	186,804
Other comprehensive income for the year ended December 31, 2017, net of income tax	-	-	-	-	(437)	(437)	(49,554)	(62,187)	4,265	(107,476)	(107,913)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	186,367	186,367	(49,554)	(62,187)	4,265	(107,476)	78,891
BALANCE AT DECEMBER 31, 2017	<u>123,743</u>	<u>\$ 1,237,426</u>	<u>\$ 628,374</u>	<u>\$ 572,472</u>	<u>\$ 652,316</u>	<u>\$ 1,224,788</u>	<u>(\$ 109,657)</u>	<u>\$ 105,913</u>	<u>(\$ 24,443)</u>	<u>(\$ 28,187)</u>	<u>\$ 3,062,401</u>

CHINA ECOTEK CORPORATION

STANDALONE STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 214,596	\$ 335,539
Adjustments for:		
Depreciation expense	18,862	18,711
Amortization expense	7,477	7,607
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	-	(2,485)
Finance costs	8,987	7,938
Interest income	(24,216)	(22,083)
Dividend income	(14,655)	(15,590)
Share of the profit of associates	(78,299)	110,020
Net gains on disposal of investments	(57,746)	(444)
Impairment loss of financial assets	20,000	-
Unrealized gross profit	30,111	-
Recognition of provisions	21,809	21,448
Recognition of Unrealized construction Losses	208,075	155,205
Others	(12)	-
Changes in operating assets and liabilities		
Financial instruments held for trading	-	21,394
Accounts receivable	152,385	(26,374)
Accounts receivable - related parties	(866,128)	138,187
Amounts due from customers for construction contracts	(211,663)	(1,053,618)
Other receivables	(16,318)	1,304
Inventories	219	22
Other current assets	69,700	(65,566)
Notes payable	112,446	(1,794)
Accounts payable	90,021	17,564
Accounts payable - related parties	(138,909)	113,898
Amounts due to customers for construction contracts	1,136,253	(608,057)
Other payables	(21,938)	(60,595)
Provisions	(10,572)	(12,781)
Other current liabilities	117,629	71
Net defined benefit liabilities	458	167
Cash generated from operations	768,572	(920,312)

(carried forward)

(brought forward)

	For the Year Ended December 31	
	2017	2016
Income taxes paid	(\$ 53,877)	(\$ 86,141)
Net cash generated from operating activities	<u>714,695</u>	(<u>1,006,453</u>)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(8,793)
Proceeds from disposal of available-for-sale financial assets	118,449	658
Acquisition of investments accounted for using equity method	(324,538)	(120,000)
Acquisition of property, plant and equipment	(9,577)	(13,602)
Proceeds from disposal of property, plant and equipment	12	453
Increase in refundable deposits	(56,221)	-
Decrease in refundable deposits	-	27,632
Acquisition of intangible assets	(6,929)	(8,733)
Increase in other financial assets	-	(204,157)
Decrease in other financial assets	319,442	-
Decrease in other noncurrent assets	900	1,484
Interest received	24,400	24,494
Dividends received from others	14,655	15,590
Dividends received from associates	<u>214,501</u>	<u>123,740</u>
Net cash used in investing activities	<u>295,094</u>	(<u>161,234</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	-	450,000
Decrease in short-term borrowings	(40,000)	-
Increase in short-term bills payable	-	1,000,000
Decrease in short-term bills payable	(900,000)	-
Increase in guarantee deposits	2,049	-
Decrease in guarantee deposits	-	(2,584)
Dividends paid to owners of the Corporation	(222,737)	(371,228)
Interest paid	(<u>8,564</u>)	(<u>8,139</u>)
Net cash used in financing activities	(<u>1,169,252</u>)	<u>1,068,049</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(\$ 159,463)	(\$ 99,638)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>1,084,067</u>	<u>1,183,705</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	<u>\$ 924,604</u>	<u>\$ 1,084,067</u>

China Ecotek Corporation

Business Report for the Year of 2017

I. Operation Policy

The Company's Operation Policy for the Year of 2017 is to promote the Company's competitive advantages in terms of 4 aspects, such as "Circular Economy," "Technological Deepening," "Human Resource Enhancement," and "Strategic Alliance," and to strengthen the Company's financial health and execution capabilities via organizational re-engineering, so that the Company can continue to promote the Southbound Policy.

1. Circular Economy:

Actively expand utilization of renewable water, green energy and organic sludge resources, and develop innovative business models that integrate engineering and production.

2. Technological Deepening:

Refine the core technology of electromechanical engineering, water treatment, air pollution prevention and biotechnology facilities to enhance competitiveness.

3. Human Resource Enhancement:

Strengthen the recruitment and training of corporate talents to inherit and handle large-scale projects in light of technological deepening and the need to maintain and expand overseas markets.

4. Strategic Alliance:

Establish strategic alliances with world-renowned corporations to jointly develop markets and introduce core technologies.

II. Implementation of the Operation Policy

The Company upholds the business philosophy of "Excellence, Technology, Integrity, and Quality" to continuously improve its internal management processes, strengthen its technical capabilities and increase customer satisfaction.

In the year of 2017, in response to the government policies on promotion of safe energy, green economy and sustainable environment, the Company acquired

the business to install the 80MW solar photovoltaic (PV) system for the Business Group and reached the target of building the 30MW solar photovoltaic system in December of 2017 to successfully deliver the Business Group's task. Meanwhile, the Company also successfully completed major tasks such as the No. 3 blast furnace (BF) Overhaul and Fire-Resistant Turnkey Projects for China Steel Corporation. In terms of overseas projects, the Company's Southbound Plan also reaped in much success. It acquired the exhaust gas desulphurization and denitrification project for Ha Tinh steelmaking plant of Formosa Plastics, the electromechanical installation project for the production line in Vietnam Plant of Donghe Steel, and 400,000-ton polyester fiber construction turnkey project in FAR EASTERN TEXTILE's Chemical Fiber Plant. All these projects have laid the foundation for its follow-up entry and development in the Vietnamese market. Looking forward to the next year, the Company will strive to attain China Steel Corporation's projects on first and second-tier coking plant renewal and environmental protection and improvement, and will continue to expand the scale of organization and business of its Vietnamese subsidiaries in order to get a niche in the local market and actively strive for the projects on establishment of factories as well as air pollution control and wastewater treatment facilities for the textile and steel industries to enhance our core competitiveness.

III. Business Implementation Results

The positioning of target market for The Company covers a variety of engineering fields, such as environmental protection engineering, mechanical and electrical engineering, biotechnology construction, electrical and mechanical maintenance and recycling and advanced water purification. The works that had been implemented in 2017 are set out as follows:

1. Environmental Protection Projects: SanYing Water Resources Recycling Center construction project in New Taipei City, Qiaotou Wastewater Treatment Plant construction project in Gangshan of Kaohsiung City, Fongshan River Reclaimed Water Steel Plant inner-section mainline and domestic water pipe network installation project, finished product warehouse and the solar power system installation project on Ziqiang Road of the north district for China Steel Corporation, and the solar power system installation project for the third cold rolling mill of China Steel Corporation. These projects cost about NT\$2.246 billion, accounting for 22.52% of the total revenue.
2. Mechanical and Electrical Engineering: equipment installation and civil

engineering for coke ovens in Vietnam's Ha Tinh Steel Plant, 400,000-ton polyester fiber construction turnkey project for Far Eastern Textile's fiber plant in Vietnam, renovation and expansion project for the coal delivery system in Linkou power plant, Kinmen's project on water diversion (water delivery pipelining) from mainland China, the wind-proof and dust-proof efficiency improvement project and the transfer process addition and modification project for Dragon Steel Corporation's raw material storage yard, China Steel Corporation's No.2 sintering desulfurization and denitrification project, China Steel Corporation's No.2 blast furnace (BF) overhaul and system engineering in district No. 3400. These projects cost about NT\$5.161 billion, accounting for 51.75% of the total revenue.

3. Agency Operations and Maintenance of Electrical and Mechanical Engineering Works and Others: including mechanical and electrical maintenance projects for China Steel Corporation and Dragon Steel Corporation, agency operations for water purification plants for water from Cheng Ching Lake and Kinmen's Tai Lake, and so on. These projects cost about NT\$2.564 billion, accounting for 25.73% of the total revenue.

IV. Comparison of the Profits earned in 2016 and 2017

Unit: NT\$1,000

Year Business Items	Year: 2017	Year: 2016	Increased (Decreased) Amount	Change Rate (%)
Operating Income	9,971,393	8,474,982	1,496,411	17.66%
Operating Cost	9,252,180	7,467,017	1,785,163	23.91%
Unrealized Sales Benefits	30,111	0	30,111	100%
Operating Margin	689,102	1,007,965	-318,863	-31.63%
Operating Expenses	438,573	489,849	-51,276	-10.47%
Net Profit	250,529	518,116	-267,587	-51.65%
Net Non-Operating Income	-6,454	-117,135	110,681	94.49%

Pre-Tax Net Profit	244,075	400,981	-156,906	-39.13%
Income Tax Expense	57,271	152,969	-95,698	-62.56%
Combined Net Profit in Total	186,804	248,012	-61,208	-24.68%

1. In 2017, the operating income increased by NT\$1,496,411,000 compared with that in 2016, which mainly came from the new projects that entered the construction phase one after another. The operating cost was recognized based on the construction completion ratio during the construction period. As the competition for bidding of the public facilities construction was fierce, the gross profit margin dropped by about 5% compared with that in 2016. In the future, the Company will adjust the strategy on acceptance of the amount of orders.
2. In 2017, non-operating income and expenses increased by NT\$110,681,000 compared with that in 2016, which was mainly caused by the fact that the losses incurred by affiliated companies recognized by the equity method decreased by NT\$118,125,000 compared with that in 2016.
3. In summary, the pre-tax net profit for 2017 decreased by NT\$156,906,000 compared with that for 2016, and the total combined net profit for 2017 decreased by NT\$61,208,000 compared with that for 2016.

V. Current Status of Research and Development (R&D)

In 2017, the focus was put on the lack of land resources and the idea of circular economy. In terms of water resources R&D, in line with the government's policy on promoting the recycling and reuse of water resources, the Company had continued to refine relevant technologies for water resource recovery, such as the denitrification technology and the bio-film processing technology, in hope that the Company can meet the requirements of being economical with the processing cost and maintain the long-term stable operation of the system. Owing to the fact that the country is small and densely populated, the government has actively increased in the sewage takeover rate. As a result, the sewage treatment capacity has been increasing year by year. Sludge reduction and removal have yet remained to be resolved. As such, the Company has been devoted to development of the sludge drying and reuse technology. In the aspect

of research and development of air pollution prevention and control technologies, the Company has continued on development of technologies for sustainable development, low energy consumption, and reduction of PM2.5 particles, as well as the honeycomb catalyst technology for denitrification at mid-low temperatures, and the volatile organic waste gas catalysis technology. Regarding the research and development of water treatment auxiliaries, in order to improve water usage efficiency in steel mills, the Company has continuously refined the efficacy and efficiency of potions for recycling and cooling water in steel plants and power plants to increase its market share. As the public are concerned about pollution, the government has adjusted the national energy policy, where use of green energy and renewable energy will increase year by year. The Company has successfully developed the technology for application of the rooftop photovoltaic system and continued to promote it, hoping that the Company will move forward and become a company that provides all-round engineering services concerning environmental protection in the future.

CHINA ECOTEK CORPORATION

Profit Allocation Proposal

December 31, 2017

Undistributed earnings from January 1, 2017	NT\$ 465,948,903
Adjust Retained Earnings for Investments accounted for Using Equity Method	(3,345,484)
Actuarial gain or loss on defined benefit retirement plan recorded as Retained Earnings	2,908,417
Subtotal of Undistributed earnings	465,511,836
Add: After-tax earnings of 2017 (A)	186,803,620
Deduct: Legal reserve = (A) * 10%	(18,680,362)
Special reserve	(28,187,196)
Retained Earnings Available for Distribution as of December 31, 2017	NT\$605,447,898
Distribution Items:	
Dividends for common shares	(154,678,190)
Undistributed earnings	NT\$ 450,769,708

Comparison Table of Drafted Amendments to “Company Act” of China Ecotek Corporation

Amended provisions	Original provisions	Explanation
<p>Article 2</p> <p>The business scope of the company is as bellows:</p> <ol style="list-style-type: none"> 1. C802120 Industrial Catalyst Manufacturing 2. C901060 Refractory Materials Manufacturing 3. CA01020 Iron and Steel Rolls over Extends and Crowding 4. CA01030 Iron and Steel Casting 5. CA01050 Iron and Steel Rolling, Drawing, and Extruding 6. CA01120 Copper Casting 7. CA01990 Other Non-ferrous Metal Basic Industries 8. CA02010 Metal Architectural Components Manufacturing 9. CA02050 Metal Valves Manufacturing 10. CA02060 Metal Containers Manufacturing 11. CA02090 Metal line Products Manufacturing 12. CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere Classified 13. CA03010 Metal Heat Treating 14. CA04010 Metal Surface Treating 15. CB01010 Machinery and Equipment Manufacturing 16. CB01030 Pollution Controlling Equipment Manufacturing 17. CC01040 Lighting Facilities Manufacturing 18. CB01990 Other Machinery Manufacturing Not Elsewhere Classified 19. CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing 20. CC01990 Electrical Machinery, Supplies Manufacturing 	<p>Article 2</p> <p>The business scope of the company is as bellows:</p> <ol style="list-style-type: none"> 1. Planning, Design, Manufacturing, Construction/Installation, Maintenance of Environmental Protection Engineering (Water Treatment · Air pollution prevention · Noise control · Waste Treatment · Incineration) equipment 2. Planning, Design, Manufacturing, Construction/Installation, Maintenance and operation Co-Generation Plant engineering and related equipment planning 3. Steel Industry (Iron Making, Steel Making, Rolling): Planning, Design, Manufacturing, Construction/Installation, Maintenance and operation. 4. Planning, Design, Manufacturing, Construction/Installation, Maintenance of Railway and MRT system compartments 5. Planning, Design, Manufacturing, Construction/Installation, Maintenance of Instrument Engineering and Electrical installation engineering 6. Planning, Design, Manufacturing, Construction/Installation, Maintenance of Environmental Protection and Co-Generation Plant engineering 7. Maintenance of Waste cleaning and Waste cleaning equipment 8. Recycling and trading of previous item 9. Planning, Design, Manufacturing, Construction/Installation, Maintenance of water treatment system 10. Supervising and examining of Environmental Protection 11. Examining, detecting and analyzing of Environmental pollution 	<p>Add items of Business Registration Code and delete item 1 to 21.</p>

Amended provisions			Original provisions		Explanation
21.	CD01010	Ship and Parts Manufacturing	12.	Evaluation of environmental impact	
22.	CD01020	Tramway Cars Manufacturing	13.	Design, Installation and maintenance of Automatic fire extinguishing equipment	
23.	CD01030	Automobiles and Parts Manufacturing	14.	Engineering and trading of Waterproof Materials	
24.	CE01010	Precision Instruments Manufacturing	15.	Non-destruction examine business	
25.	D101050	Steam and Electricity Paragenesis	16.	Trading and leasing of Engineering equipment and instrument	
26.	D101060	self-usage power generation equipment utilizing renewable energy industry	17.	Manufacturing, Installation and trading of transport vehicles tanks for various types of oil storage, gas storage, water storage, and chemical	
27.	D301010	Water Supply	18.	Manufacturing, Installation and trading of various types of exhaust fan	
28.	D601011	Reclaimed Water Operators	19.	Manufacturing, cutting and trading of various steel framework and metal tube.	
29.	E101011	Synthesis Construction	20.	Manufacturing, Installation, trading and maintenance of various pump, gate and motor.	
30.	E102011	Civil Engineering Construction	21.	Flat iron cutting processing, pedals, round iron, wire, iron and steel processing and manufacturing	
31.	E103011	Steel Construction	22.	E401010 Dredge Engineering	
32.	E103021	Keeps off the Earth Strut & Earth Work Construction	23.	E599010 Pipe Lines Construction	
33.	E103031	Foundation Engineering Construction	24.	F213100 Retail Sale of Pollution Controlling Equipments	
34.	E103041	Construction tower hoisting & Pattern Plate Project Construction	25.	F113100 Wholesale of Pollution Controlling Equipments	
35.	E103051	Mixes the Concrete Project in Advance Construction	26.	CB01030 Pollution Controlling Equipment Manufacturing	
36.	E103061	Builds the Drilling Project Construction	27.	E501011 Water Pipe Construction	
37.	E103071	Underground Utilities Project Construction	28.	ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval	
38.	E103081	Valance curtain wall project Construction	29.	E103101 Environmental Protection Construction	
39.	E103091	Garden, Landscape Project Construction	30.	E103111 Waterproof Project Construction	
40.	E103101	Environmental Protection Construction			
41.	E103111	Waterproof Project Construction			
42.	E401010	Dredge Engineering			

Amended provisions	Original provisions	Explanation
43. E402010 Ballast and Mud Construction on Sea		
44. E501011 Water Pipe Construction		
45. E502010 Fuel Pipe Construction		
46. E503011 User's Drainage Facility Installation Contractor of Sewer System		
47. E599010 Pipe Lines Construction		
48. E601010 Electric Appliance Construction		
49. E601020 Electric Appliance Installation		
50. E602011 Frozen and Air-conditioning Engineering		
51. E603010 Cables Construction		
52. E603020 Elevator Construction		
53. E603040 Fire Fighting Equipments Construction		
54. E603050 Cybernation Equipments Construction		
55. E603080 Traffic Signals Construction		
56. E603090 Illumination Equipments Construction		
57. E603100 Electric Welding Construction		
58. E603110 Quench Construction		
59. E603120 Sand Spurting Construction		
60. E603130 Gas Water Heater Installation		
61. E604010 Machinery Installation Construction		
62. E605010 Computing Equipments Installation Construction		
63. E606010 Electricity Equipments Checking and Maintenance		
64. E607010 Solar Heat Energy Equipments Installation Construction		
65. E701020 Channel KU and C of Satellite TV Equipments		

Amended provisions	Original provisions	Explanation
and Materials Construction		
66. E701030 Restrained Telecom Radio Frequency Equipments and Materials Construction		
67. E701040 Basic Telecommunications Equipment Construction		
68. E801010 Building Maintenance and Upholstery		
69. E801020 Doors and Windows Construction		
70. E801030 Interior Light Rigid Frame Construction		
71. E801040 Glass Construction		
72. E801060 Interior Decoration Construction and Repairing		
73. E801070 Kitchen and Bath Facilities Construction		
74. E901010 Painting Construction		
75. E903010 Eroding and Rusting Construction		
76. EZ02010 Derrick Construction		
77. EZ03010 Furnace Installation Construction		
78. EZ05010 Apparatus Installation Construction		
79. EZ06010 Traffic Labels Construction		
80. EZ07010 Drilling Construction		
81. EZ09010 Static Electricity Protecting and Clearing Construction		
82. EZ14010 Sports Ground Equipments Construction		
83. EZ15010 Warming and Cooling Maintainance Construction		
84. EZ99990 Other Construction		
85. F106010 Wholesale of Ironware		
86. F106040 Wholesale of Water Containers		
87. F107010 Wholesale of Paints, Varnishes and Lacquers		

Amended provisions	Original provisions	Explanation
88. F107050 Wholesale of Manure		
89. F107080 Wholesale of Environment Medicines		
90. F107090 Wholesale of Industrial Explosives		
91. F107170 Wholesale of Industrial Catalyst		
92. F107200 Wholesale of Chemistry Raw Material		
93. F107990 Wholesale of Other Chemical Products		
94. F113010 Wholesale of Machinery		
95. F113020 Wholesale of Household Appliance		
96. F113030 Wholesale of Precision Instruments		
97. F113050 Wholesale of Computing and Business Machinery Equipment		
98. F113060 Wholesale of Metrological Instruments		
99. F113070 Wholesale of Telecom Instruments		
100. F113090 Wholesale of Traffic Signal Equipments and Materials		
101. F113100 Wholesale of Pollution Controlling Equipments		
102. F113110 Wholesale of Batteries		
103. F113990 Wholesale of Other Machinery and Equipment		
104. F118010 Wholesale of Computer Software		
105. F120010 Wholesale of Refractory Materials		
106. F207010 Retail Sale of Paints, Varnishes and Lacquers		
107. F207020 Retail Sale of Dyeing Mills and Dyestuff		
108. F207080 Retail Sale of Environment Medicine		
109. F207170 Retail Sale of Industrial Catalyst		
110. F207200 Retail sale of Chemistry Raw Material		
111. F207990 Retail Sale of Other Chemical Products		

Amended provisions	Original provisions	Explanation
112. F213010 Retail Sale of Household Appliance		
113. F213040 Retail Sale of Precision Instruments		
114. F213050 Retail Sale of Metrological Instruments		
115. F213060 Retail Sale of Telecom Instruments		
116. F213080 Retail Sale of Machinery and Equipment		
117. F213090 Retail Sale of Traffic Signal Equipments and Materials		
118. F213100 Retail Sale of Pollution Controlling Equipments		
119. F213990 Retail Sale of Other Machinery and Equipment		
120. F214080 Retail Sale of Tramway Cars and Parts		
121. F217010 Retail Sale of Fire Fighting Equipments		
122. F218010 Retail Sale of Computer Software		
123. F219010 Retail Sale of Electronic Materials		
124. F220010 Retail Sale of Refractory Materials		
125. F299990 Retail Sale of Other Retail Trade Not Elsewhere Classified		
126. F399040 Retail Business Without Shop		
127. F401010 International Trade		
128. H201010 Investment		
129. H701050 Public Works Construction and Investment		
130. I101061 Engineering Consultancy		
131. I101070 Agriculture, Forestry, Fishing and Animal Husbandry Consultancy		
132. I101090 Food Consultancy		
133. I101110 Textile Industry Consultancy		
134. I102010 Investment Consultancy		

Amended provisions	Original provisions	Explanation
135. I103060 Management Consulting Services		
136. I199990 Other Consultancy		
137. I301010 Software Design Services		
138. I301020 Data Processing Services		
139. I301030 Digital Information Supply Services		
140. I501010 Product Designing		
141. I503010 Landscape and Interior Designing		
142. I599990 Other Designing		
143. IF04010 Harmless Checking Services		
144. IG01010 Biotechnology Services		
145. IG02010 Research Development Service		
146. IG03010 Energy Technical Services		
147. IZ99990 Other Industry and Commerce Services Not Elsewhere Classified		
148. J101030 Waste Disposing		
149. J101040 Waste Disposing		
150. J101050 Sanitary and Pollution Controlling Services		
151. J101060 Wastewater (Sewage) Treatment		
152. J101070 Radwaste Disposing Service		
153. J101080 Waste Recycling		
154. J101090 Waste Collecting and Disposing		
155. J101990 Other Environmental Protection Construction		
156. JB01010 Exhibition Services		
157. JE01010 Rental and Leasing Business		
158. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to		

Amended provisions	Original provisions	Explanation
special approval		

Comparison Table of Drafted Amendments to Rules For Regulations Governing The Acquisition And Disposal Of Assets” of China Ecotek Corporation

Amended provisions	Original provisions	Explanation
<p>Article 8: Procedures for Acquisition or Disposal of Real Estate or Equipment</p> <p style="text-align: center;">(The first and third paragraph remain unchanged)</p> <p>2. Determination procedures for the Transaction Terms and Authorization Limit</p> <p style="padding-left: 40px;">(1) For real estate acquisition, reference shall be made to the announced current value, the assessed current value, the actual trading price for real estate in the neighborhood, etc., to determine the trading terms and trading prices, as well as using it as analysis reports. For equipment acquisition, one of the methods of price inquiry, price comparison, price negotiation or open bidding shall be adopted. Real estate and equipment have been incorporated into the capital expenditure budget and authorized to be approved by the General Manager. If the real estate and equipment are not originally included in the capital expenditure budget and the amount is greater than NT\$20 million, they should still be submitted to the Board of Director for approval before acquisition or disposal. If the amount does not exceed NT\$20 million, the board chairman is authorized to approve and process.</p> <p style="padding-left: 40px;">(2) The “assets depletion form” is filled in by the safekeeping unit during assets disposal. Those that have reached their durable</p>	<p>Article 8: Procedures for Acquisition or Disposal of Real Estate or Equipment</p> <p style="text-align: center;">(The first and third paragraph remain unchanged)</p> <p>2. Determination procedures for the Transaction Terms and Authorization Limit</p> <p style="padding-left: 40px;">(1) For real estate acquisition, reference shall be made to the announced current value, the assessed current value, the actual trading price for real estate in the neighborhood, etc., to determine the trading terms and trading prices, as well as using it as analysis reports. For equipment acquisition, one of the methods of price inquiry, price comparison, price negotiation or open bidding shall be adopted. Real estate and equipment have been incorporated into the capital expenditure budget and authorized to be approved by the General Manager. If the real estate and equipment are not originally included in the capital expenditure budget and the amount is greater than NT\$20 million, they should still be submitted to the Board of Director for approval before acquisition or disposal. If the amount does not exceed NT\$20 million, the board chairman is authorized to approve and process.</p> <p style="padding-left: 40px;">(2) The “assets depletion form” is filled in by the safekeeping unit during assets disposal. Those that have reached their durable</p>	<p>In reference to the Article 9 of Regulations Governing the Acquisition and Disposal of Assets by Public Companies and Organizational Charter.</p>

service life shall report to and approved by the Deputy General Manager of the management department before processing, while those that have not reached their durable service life shall report to and approved by the General Manager before processing.

4. Appraisal report of real estate or equipment

In acquiring or disposing of real estate or equipment where the transactions amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with government agencies, engaging others to build on its own land, engaging others to build on leased land, or acquiring and disposing of machinery or equipment for business use, shall obtain an appraisal report (the appraisal report shall be recorded as described in attachment 1) from a professional appraiser prior to the date of the occurrence and shall further comply with the following provisions:

- (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Director, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
- (2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the

service life shall report to and approved by the Deputy General Manager of the administration department before processing, while those that have not reached their durable service life shall report to and approved by the General Manager before processing.

4. Appraisal report of real estate or equipment

In acquiring or disposing of real estate or equipment where the transactions amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with government organizations, engaging others to build on its own land, engaging others to build on leased land, or acquiring and disposing of machinery or equipment for business use, shall obtain an appraisal report (the appraisal report shall be recorded as described in attachment 1) from a professional appraiser prior to the date of the occurrence and shall further comply with the following provisions:

- (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Director, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
- (2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a

<p>appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the R.O.C. Accounting Research and Development Foundation (hereinafter referred to as ARDF) and render a specific opinion regarding the reasons for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> 1. Where the discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount 2. Where the discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount. <p>(4) No more than 3 months shall elapse between issuance date of the appraisal report by professional appraiser and the contract execution date. However, if the announced current value for the same period is applicable and not more than 6 months have elapsed, an opinion letter shall be issued by the original professional appraiser.</p> <p>(5) Where the company acquires or disposes of assets through court action, the evidentiary documents issued by the court may be substituted for the appraisal report or the accountant's opinion.</p>	<p>certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the R.O.C. Accounting Research and Development Foundation (hereinafter referred to as ARDF) and render a specific opinion regarding the reasons for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> 1. Where the discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount 2. Where the discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount. <p>(4) No more than 3 months shall elapse between issuance date of the appraisal report by professional appraiser and the contract execution date. However, if the announced current value for the same period is applicable and not more than 6 months have elapsed, an opinion letter shall be issued by the original professional appraiser.</p> <p>(5) Where the company acquires or disposes of assets through court action, the evidentiary documents issued by the court may be substituted for the appraisal report or the accountant's opinion.</p>	
<p>Article 10: Procedures for Related Parties Transaction</p> <p>When the company engages in any acquisition or disposal of assets from or to a Related Party, in addition to adhering to the provisions in the preceding article and this article and evaluating the reasonableness of the transaction terms, the company shall obtain an appraisal report from a professional appraiser or accountant's opinion</p>	<p>Article 10: Procedures for Related Parties Transaction</p> <p>When the company engages in any acquisition or disposal of assets from or to a Related Party, in addition to adhering to the provisions in the preceding article and this article and evaluating the reasonableness of the transaction terms, the company shall obtain an appraisal report from a professional appraiser or accountant's opinion</p>	<p>In reference to the Article 9 of Regulations Governing the Acquisition and Disposal of Assets</p>

<p>if the transaction amount reaches 10% or more of the company's total assets. When judging whether a trading counterparty is a Related Party, in addition to legal formalities, the substance of the relationships shall also be considered.</p> <p>1. Assessment and operating procedures</p> <p>When the company acquires or disposes of real estate from or to a Related Party, or acquires or disposes of assets other than real estate from or to a Related Party, and the transaction amount reaches 20% of the company's paid-in capital, 10% of the total assets or NT\$300 million or more, except for trading government bonds, bonds under repurchase or resale agreements, and the purchase or <u>redemption</u> domestic money market funds <u>issued by Securities Investment Trust Enterprise</u>, the Company shall not proceed to sign a transaction contract or make a payment until the following matters have been approved by the Board of Director and ratified by the supervisors:</p> <p>(The rest of this clause remain unchanged)</p>	<p>if the transaction amount reaches 10% or more of the company's total assets. When judging whether a trading counterparty is a Related Party, in addition to legal formalities, the substance of the relationships shall also be considered.</p> <p>1. Assessment and operating procedures</p> <p>When the company acquires or disposes of real estate from or to a Related Party, or acquires or disposes of assets other than real estate from or to a Related Party, and the transaction amount reaches 20% of the company's paid-in capital, 10% of the total assets or NT\$300 million or more, except for trading government bonds, bonds under repurchase or resale agreements, and the purchase or redemption domestic money market funds, the Company shall not proceed to sign a transaction contract or make a payment until the following matters have been approved by the Board of Director and ratified by the supervisors:</p> <p>(The rest of this clause remain unchanged)</p>	<p>by Public Companies.</p>
<p>Article 11: Procedures for Acquisition or Disposal of Membership or Intangible Assets</p> <p>(The first, second, and third part remain unchanged)</p> <p>4. Professional Appraisal Report of Membership or Intangible Assets</p> <p>Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20% of company's paid-in capital or NT\$300 million or more, apart from transaction with government <u>agencies</u>, the Company shall engage an accountant to render an opinion on the reasonableness of the transaction price prior to the date of the occurrence; the accountant shall comply with the provisions of Statement of Auditing Standards</p>	<p>Article 11: Procedures for Acquisition or Disposal of Membership or Intangible Assets</p> <p>(The first, second, and third part remain unchanged)</p> <p>4. Professional Appraisal Report of Membership or Intangible Assets</p> <p>Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20% of company's paid-in capital or NT\$300 million or more, apart from transaction with government <u>organizations</u>, the Company shall engage an accountant to render an opinion on the reasonableness of the transaction price prior to the date of the occurrence; the accountant shall comply with the provisions of Statement of Auditing</p>	<p>In reference to the Article 11 of Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>

No. 20 published by the ARDF.	Standards No. 20 published by the ARDF.	
<p>Article 13: Handling Procedures for the Acquisition or Disposal of Derivative Product</p> <p>1. Transaction Principle and Guidelines</p> <p>(The first and second paragraph remain unchanged)</p> <p>(3) Division Of Authority And Responsibility</p> <p>1. Accounting and Finance Department</p> <p>(1) Trading staff</p> <p>A Responsible for the strategic formulation of financial commodities transaction</p> <p>B Traders shall calculate positions held regularly every fortnight, collect market information, conduct trend judgment and risk assessment, and draft operation strategy which shall serve as the reference basis for trading after approved by the authorization.</p> <p>C Implement transactions in accordance with the authority granted as well as drafted strategy.</p> <p>D In the event that there are major changes in the financial market and trading staff determines that the drafted strategy is no longer applicable, trading staff shall, therefore, present assessment report from time to time and re-draft strategy accordingly which shall serve as the basis for trading after being approved by the General Manager.</p> <p>(2) Accountant</p> <p>A Confirmation of transaction execution.</p> <p>B Review if the transactions are executed in accordance</p>	<p>Article 13: Handling Procedures for the Acquisition or Disposal of Derivative Product</p> <p>1. Transaction Principle and Guidelines</p> <p>(The first and second paragraph remain unchanged)</p> <p>(3) Division Of Authority And Responsibility</p> <p>1. Accounting and Finance Department</p> <p>(1) Trading staff</p> <p>A Responsible for the strategic formulation of financial commodities transaction</p> <p>B Traders shall calculate positions held regularly every fortnight, collect market information, conduct trend judgment and risk assessment, and draft operation strategy which shall serve as the reference basis for trading after approved by the authorization.</p> <p>C Implement transactions in accordance with the authority granted as well as drafted strategy.</p> <p>D In the event that there are major changes in the financial market and trading staff determines that the drafted strategy is no longer applicable, trading staff shall, therefore, present assessment report from time to time and re-draft strategy accordingly which shall serve as the basis for trading after being approved by the General Manager.</p> <p>(2) Accountant</p> <p>A Confirmation of transaction execution.</p> <p>B Review if the transactions are executed in accordance</p>	<p>Amendments are made in accordance with the Organizational Charter</p>

with the authorization permission and the established strategy.

C Conduct assessment every month and the assessment report shall be reviewed by the General Manager.

D Handle accounting transaction.

E Report or announce according to the regulations of the Securities and Futures Commission.

(3) Settlement staff: responsible for conducting settlement.

(4) Authorization limit of derivative products

A Authorization limit of hedging transactions

	Amount of Each Transaction	Daily Total Amount
General Manager	Not more than US\$2,500,000 or equivalent	Not more than US\$5,000,000 or equivalent
Deputy General Manager of the <u>Management</u> Department	Not more than US\$1,500,000 or equivalent	Not more than US\$3,000,000 or equivalent
Manager of the Accounting and Financial Department	Not more than US\$500,000 or equivalent	Not more than US\$1,000,000 or equivalent

B Transactions for other purposes shall proceed only after submission and approval by the Board of Director.

C When the company engages in derivative product transactions, according to the regulations this procedure, the relevant personnel who is authorized to handle this shall report to the soonest Board of Director meeting after the transactions.

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Deputy General Manager of the <u>Administration</u> Department	Not more than US\$1,500,000 or equivalent	Not more than US\$3,000,000 or equivalent
Manager of the Accounting and Financial Department	Not more than US\$500,000 or equivalent	Not more than US\$1,000,000 or equivalent

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C When the company engages in derivative product transactions, according to the regulations this procedure, the relevant personnel who is authorized to handle this shall report to the soonest Board of Director meeting

2 Audit Department

Responsible to examine the appropriateness of the internal control over derivative product transactions, conduct audit of the compliance of the transaction department with the operating procedures, analyze the transaction cycle and prepare audit report which shall be submitted to the supervisor for review at the end of the next month after the completion of the audit project. If the internal auditor discovers major violations or the company suffers from serious losses, he or she shall submit a report and notify each supervisor.

3 Performance Assessment

After the settlement at the end of each month, the current profit and loss arising from the actual settlement of derivative product transaction contract of that month as recorded in the account shall be compiled in a statistical report and report to the Deputy General Manager of the management department, to serve as a reference basis of performance assessment.

4 Contract Total Amount and Upper Limit for Loss

(1) Contract Total Amount

In derivative product transaction, the net position of the company shall be estimated monthly. The mid and long-term net positions are capped by one-half of the total amount of the hedge by principle while the short-term net position shall be fully operated. In the event that the total contract amount exceeds the above limit, it shall be reported to and approved by the Board of

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<p>Director before proceed.</p> <p>(2) Stipulation of Loss Limit</p> <p>In derivative product transaction, for individual contracts, the loss limit shall not exceed 10% of the contract amount. In the event that it exceeds the above upper limit of loss, it shall be reported to the chairman of the Board of Director immediately, take necessary countering measures and report it to the Board of Director.</p> <p>(The second and third paragraph remain unchanged)</p> <p>4. Method for Periodic Review and Handling of Abnormal Situation</p> <p>(1) The Deputy General Manager of the <u>management</u> department shall regularly supervise and assess if derivative product transactions are truly executed in accordance with transaction procedures stipulated by the company and if the current risks management procedure is appropriate, and evaluate if the performance is within the established operational strategy and the risks assumed are within the scope of tolerable assumption. Under the circumstances that there are irregularities (e.g., the position held has already exceeded loss limit), it shall be reported to the chairman of the Board of Director immediately, take countering measures and report to the soonest Board of Director meetings.</p> <p>(2) The derivative product transaction positions held shall be assessed at least once per week. Nevertheless, hedging transactions executed under business needs shall be assessed at least twice each month and assessment report shall be submitted to Deputy General Manager of the <u>management</u> department.</p>	<p>limit, it shall be reported to and approved by the Board of Director before proceed.</p> <p>(2) Stipulation of Loss Limit</p> <p>In derivative product transaction, for individual contracts, the loss limit shall not exceed 10% of the contract amount. In the event that it exceeds the above upper limit of loss, it shall be reported to the chairman of the Board of Director immediately, take necessary countering measures and report it to the Board of Director.</p> <p>(The second and third paragraph remain unchanged)</p> <p>4. Method for Periodic Review and Handling of Abnormal Situation</p> <p>(1) The Deputy General Manager of the <u>administration</u> department shall regularly supervise and assess if derivative product transactions are truly executed in accordance with transaction procedures stipulated by the company and if the current risks management procedure is appropriate, and evaluate if the performance is within the established operational strategy and the risks assumed are within the scope of tolerable assumption. Under the circumstances that there are irregularities (e.g., the position held has already exceeded loss limit), it shall be reported to the chairman of the Board of Director immediately, take countering measures and report to the soonest Board of Director meetings.</p> <p>(2) The derivative product transaction positions held shall be assessed at least once per week. Nevertheless, hedging transactions executed under business needs shall be assessed at least twice each month and assessment report shall be submitted to Deputy General Manager of the <u>administration</u></p>	
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	department.	
<p>Article 14: Procedures for Conducting a Merger, Demerger, Acquisition or Transfer of Shares</p> <p>1. Assessment and operating procedures</p> <p>(1) When conducting a merger, demerger, acquisition or transfer of shares, the company shall engage an attorney, accountant, underwriter, etc., to co-research the estimated timetable of the statutory procedure and organize a project team according to the legal procedures to implement. Prior to convening a Board of Director meeting, shall engage an accountant, attorney or securities underwriter to give opinions on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other assets to shareholders, and submit it to the Board of Director for approval. <u>However, for the merging of the company and its subsidiaries which it directly or indirectly holds 100% of their issued shares or total capital, or for the merging of the subsidiaries which it directly or indirectly holds 100% of their issued shares or total capital, the opinions of the former experts on reasonableness can be exempted.</u></p> <p>(The other contents in this clause remain unchanged)</p>	<p>Article 14: Procedures for Conducting a Merger, Demerger, Acquisition or Transfer of Shares</p> <p>1. Assessment and operating procedures</p> <p>(1) When conducting a merger, demerger, acquisition or transfer of shares, the company shall engage an attorney, accountant, underwriter, etc., to co-research the estimated timetable of the statutory procedure and organize a project team according to the legal procedures to implement. Prior to convening a Board of Director meeting, shall engage an accountant, attorney or securities underwriter to give opinions on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other assets to shareholders, and submit it to the Board of Director for approval.</p>	<p>In reference to the Article 22 of Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>
<p>Article 15: Procedure of Information Disclosure</p> <p>1. Public Announcement and Reporting Standard</p> <p><u>When the company acquires or dispose assets and one of the following circumstances exists, the relevant information shall be publicly announced on the Financial Supervisory Commission designated website within two days commencing from the date of occurrence of the event.</u></p>	<p>Article 15: Procedure of Information Disclosure</p> <p>1. Public Announcement and Reporting Standard</p> <p>(1) Acquisition or disposal of real estate from or to a Related Party, or in acquiring or disposing any assets other than the real estate from or to a Related Party and the transaction amount reaches 20% of the company's paid-in capital, 10% of the total assets or NT\$300 million, or more; provided, however, that this shall not apply to the trading of</p>	<p>In reference to the Article 30 of Regulations Governing the Acquisition and Disposal of Assets</p>

<p>(1) Acquisition or disposal of real estate from or to a Related Party, or in acquiring or disposing any assets other than the real estate from or to a Related Party and the transaction amount reaches 20% of the company's paid-in capital, 10% of the total assets or NT\$300 million, or more; provided, however, that this shall not apply to the trading of government bonds, bonds under repurchase or resale agreements, and the purchase or <u>redemption</u> domestic money market funds <u>issued by Securities Investment Trust Enterprise</u>.</p> <p>(2) Merger, demerger, acquisition, or transfer of share.</p> <p>(3) The loss of derivative product transaction reaches the limit for all or individual contract set forth in the procedures regulations.</p> <p><u>(4)</u> Where the type of asset acquired or disposed of is equipment for business use, the trading counterparty is not a Related Party, <u>and the transaction amount is more than NT\$500 million</u>.</p> <p><u>(5)</u> Where the construction project acquired or disposed of is real estate for construction use, the trading counterparty is not a Related Party, and the transaction amount is more than NT\$500 million.</p> <p><u>(6)</u> Where real estate is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on leased 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 is more than NT\$500 million.</p> <p><u>(7)</u> Apart from the transactions referred to in the preceding six clauses, where there is an asset transaction, a disposal of receivables to a financial institution, or an investment in mainland China area</p>	<p>government bonds, bonds under repurchase or resale agreements, and the purchase <u>or redemption</u> domestic money market funds.</p> <p>(2) Merger, demerger, acquisition, or transfer of share.</p> <p>(3) The loss of derivative product transaction reaches the limit for all or individual contract set forth in the procedures regulations.</p> <p>(4) Apart from the transactions referred to in the preceding 3 clauses, where there is an asset transaction, a disposal of receivables to a financial institution, or an investment in mainland China area that reaches 20% of the company's paid-in capital or NT\$300 million or more; provided, this shall not apply to the following circumstances:</p> <ol style="list-style-type: none"> 1. Trading of government bonds. 2. Trading of negotiable securities by professional investors in domestic and foreign securities trading or over-the-counter securities exchange, or subscriptions of the securities firm in primary market, or subscriptions of negotiable securities. 3. Trading of bonds under repurchase/resale agreements and the purchase or repurchase domestic money market funds. 4. Where the type of asset acquired or disposed of is equipment for business use, the trading counterparty is not a Related Party, and the transaction amount is less than NT\$500 million. 5. Where the construction project acquired or disposed of is real estate for construction use, the trading counterparty is not a Related Party, and the transaction amount is more than NT\$500 million. 6. Where real estate is acquired under an arrangement on engaging others to build on the Company's own land, 	<p>by Public Companies.</p>
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that reaches 20% of the company's paid-in capital or NT\$300 million or more; provided, this shall not apply to the following circumstances:

1. Trading of government bonds.
2. Trading of negotiable securities by professional investors in domestic and foreign securities trading or over-the-counter securities exchange, or subscriptions of general financial bonds of ordinary companies that do not involve equity that are offered and issued by the domestic primary market, or subscriptions of negotiable securities by security firm as per recommended by securities dealer according to the Taipei Exchange regulations, who serves as a counselor for listed company at emerging stock market due to underwriting needs.
3. Trading of bonds under repurchase/resale agreements and the purchase or redemption domestic money market funds issued by Securities Investment Trust Enterprise.

The amount of transaction in **this article** shall be calculated as follows:

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 trading counterparty within the preceding year.
3. The cumulative transaction amount of real estate acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and

engaging others to build on leased 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 is more than NT\$500 million.

- (5) The amount of transaction in this article shall be calculated as follows. Within one year is based on the date of the occurrence of the transaction, a retrospective calculation of one year. It will not be counted according to the provisions of this procedure, a valuation report or an accountant's opinion issued by a professional appraiser, submitted to the board of directors for approval, and the supervisor's recognition or announcement

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 trading counterparty within the preceding year.
3. The cumulative transaction amount of real estate acquisitions and disposals (cumulative acquisitions and disposals, respectively) 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.

2. Time limit for handling announcements and release

It shall announce and release the relevant information within two days commencing while the company acquiring and disposing of assets meets the standard

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

"Within the preceding year" as used in [this article](#) refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these regulations need not be counted toward the transaction amount.

The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and other foreign subsidiaries and enter the information in the prescribed format into the information reporting website designated by the Financial Supervisory Commission by the 10th day of each month. All items should be published again [within two days from the date of knowledge](#) if any item required to be disclosed is missing during the original publication.

The contracts, meeting minutes, log books, appraisal reports, and opinion letters of accountant, lawyers or securities underwriters relevant to the company's acquisition or disposal of assets shall, except as otherwise specified by relevant regulations, be kept in the company for at least five years.

[\(8\) This article](#) stipulates that after the announcement and report of the transaction, should any of the following conditions occur, the company shall announce and report the relevant information in the designated website within two days commencing immediately from the date of occurrence of the event.

1. Amendment, termination or cancellation of the original

3. The release process

- (1) The company shall release in the designated website.
- (2) A public company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.
- (3) When a public company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.
- (4) The company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.
- (5) Previous article stipulates that after the announcement and report of the transaction, should any of the following conditions occur, the company shall announce and report the relevant information in the designated website within two days commencing immediately from the date of occurrence of the event.
 1. Amendment, termination or cancellation of the original agreement.
 2. Merger, demerger, acquisition or share transfer not completed as scheduled in the agreement.
 3. Change to the originally publicly announced and reported

<p>agreement.</p> <p>2. Merger, demerger, acquisition or share transfer not completed as scheduled in the agreement.</p> <p>3. Change to the originally publicly announced and reported information.</p> <p><u>2.</u> Announcement Format (The other contents of this article remained unchanged)</p>	<p>information.</p> <p>4. Announcement Format (The other contents of this article remained unchanged)</p>	
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