



Stock Code : 1735

日勝化工股份有限公司
EVERMORE CHEMICAL INDUSTRY CO., LTD.



Handbook for the 2019 Annual General Shareholders' Meeting

Time : June 27 (Thursday) 2019, 9:30 AM

Place : No. 21, Nangang 3rd Road, Nantou City
(Nangang Conference Hall, Nangang Industrial Park Service Center)

Notice to readers

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

I . Meeting Procedures:

EVERMORE CHEMICAL INDUSTRY CO., LTD.

I . Procedures for the Annual General Meeting of 2019

I . Call to Order

II . Chairman's Address

III . Reports on Company Affairs

IV . Matters to be Ratified

V . Discussions

VI . Extemporaneous Motions

VII . Meeting Adjourned

II . Agenda of Meeting:

EVERMORE CHEMICAL INDUSTRY CO., LTD.

I . Agenda of the General Meeting of 2019

Held on: June 27 (Thursday) 2019, 9:30 AM

Held at: No. 21, Nangang 3rd Road, Nantou City (Nangang Conference Hall, Nangang Industrial Park Service Center)

1. Reports on Company Affairs:

- (1) Report on annual raising compensation for employees, directors and supervisors in 2018
- (2) Business and Financial Report for 2018 and Annual Operating Plan for 2019
- (3) Review of the report on final accounts for 2018 by supervisors
- (4) Report on the funds lent and endorsement & guarantee provided by the Company

2. Matters to be Ratified:

- (1) Adoption of the Business Report and Financial Statements for 2018
- (2) Adoption of earning distribution plan in 2018

3. Discussions:

- (1) Amendments to the Articles of Association of the Company;
- (2) Amendments to the Procedures for Fund Lending and Endorsement & Guarantee;
- (3) Amendments to the Procedures for Acquisition or Disposal of Assets;
- (4) Proposal of Release the Prohibition on Directors from Participation in Competitive Business.

4. Extemporaneous Motions

5. Meeting Adjourned

I. Reports on Company Affairs

Report No. 1: Report on annual raising compensation for employees, directors and supervisors in 2018.

Note: The Company has offered a pay raise of 5% to employees and 2% to directors and supervisors in 2018 according to its Articles of Association, equivalent to NT\$782,833 and NT\$313,133 respectively which shall be paid in cash.

Report No. 2: Business and Financial Report for 2018 and Annual Operating Plan for 2019.

Note: please refer to Appendix I (Page 5-7).

Report No. 3: Review of the report on final accounts for 2018 by supervisors.

Note: please refer to Appendix II (Page 8).

Report No. 4: Report on the funds lent and endorsement & guarantee provided by the Company.

Note: The funds lent and endorsement & guarantee provided by the Company as of December 31, 2018 are as follows:

1. Endorsement & guarantee:

Endorser & guarantor	Endorsee & guaranteed company	Endorsement & guarantee limit (NT\$ 1,000)	Actual amount of expenditure (NT\$ 1,000)
EVERMORE CHEMICAL INDUSTRY CO., LTD.	LIBERTY BELL INVESTMENTS LTD.	NT\$460,725 (USD 15,000)	NT\$363,156 (USD 11,823)

2. Fund lending:

Lender(s)	Borrower(s)	Credit line for fund lending (NT\$ 1,000)	Actual amount of expenditure (NT\$ 1,000)
EVERMORE CHEMICAL INDUSTRY CO., LTD.	LIBERTY BELL INVESTMENTS LTD.	NT\$122,860 (USD 4,000)	NT\$- (USD 0)
NEOLITE INVESTMENTS LTD.	LIBERTY BELL INVESTMENTS LTD.	NT\$92,145 (USD 3,000)	NT\$49,144 (USD 1,600)
NEOLITE INVESTMENTS LTD.	EVERMORE CHEMICAL INDUSTRY CO., LTD.	NT\$61,430 (USD 2,000)	NT\$61,430 (USD 1,000)

II. Matters to be Ratified

Case 1: Adoption of the Business Report and Financial Statements for 2018 submitted for approval. (Proposed by the Board of Directors)

Note: 1. The accountants from Deloitte Touche Tohmatsu Limited, *i.e.* Jiang Shujing and Wu Lidong, have audited the Company's annual accounts, individual financial statement and consolidated financial statements for 2018, and issued an Auditor's Report. In addition, the financial statements, Business Report, distribution of earnings contained in the preceding paragraph which were identified as on record upon review by supervisors are submitted for approval.

2. Please refer to Appendix I (pages 5-7) and Appendix III (pages 9-28) for the attached books, statements and Auditor's Report issued by the accountants.

Resolutions:

Case 2: Adoption of earning distribution plan in 2018 submitted for approval. (Proposed by the Board of Directors)

Note: 1. Please refer to Appendix IV (page 29) for the Company's distribution of earnings for 2018.

2. Cash dividend: NT\$ 14,908,200, distributed pro rata to the shareholders on the shareholder register as of record date at NT\$ 0.15 per share (round down to NT\$ 1). The fractional amount of dividends less than NT\$ 1 is summed and recognized as other income of the Company. After the approval of the general meeting, the Board of Directors is authorized by the shareholders to fix record date and date for dividend distribution.

3. If there is a change in dividend payout ratio due to changes in the number of outstanding shares of the Company prior to the record date, the Board of Directors shall be authorized by the shareholders to make adjustments.

Resolutions:

III. Discussions

Proposal 1 Reason: Amendments to the Articles of Association of the Company (submitted for approval by way of a resolution); (Proposed by the Board of Directors)

Note: In accordance with the amendments to the Taiwan's Company Act, the relevant provisions of the Articles of Association of the Company shall be revised. Please refer to Appendix V (page 30) for the comparison table of the provisions before and after the revision.

Resolutions:

Proposal 2 Reason: Amendments to the Procedures for Fund Lending and Endorsement & Guarantee (submitted for approval by way of a resolution). (Proposed by the Board of Directors)

Note: In accordance with the amendments to the relevant laws and regulations, the provisions of the Procedures for Fund Lending and Endorsement & Guarantee of the Company shall be revised. Please refer to Appendix VI (pages 31-32) for the comparison table of the provisions before and after the revision.

Resolutions:

Proposal 3 Reason: Amendments to the procedures for acquisition or disposal of assets (submitted for approval by way of a resolution). (Proposed by the Board of Directors)

Note: In accordance with the amendments to the relevant laws and regulations, the provisions of the Procedures for Acquisition or Disposal of Assets of the Company shall be revised. Please refer to Appendix VII (pages 33-43) for the comparison table of the provisions before and after the revision.

Resolutions:

Proposal 4 Removal of restrictions against competing business involvements by the Company's directors.
(Proposed by the Board of Directors)

- Note:
1. As expressly provided for in Paragraph 1, Article 209 of the Company Act: A director who does anything for himself or herself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
 2. For the Company's directors or the companies that have invested in or have operated the same or similar business as the Company and served as directors, an agreement is hereby proposed in the shareholders' meeting to lawfully lift the competition restrictions on the directors.
 3. Schedule of Positions for Directors, please refer to Appendix VIII (page 43)

Resolutions:

IV. Extemporaneous Motions

V. Meeting Adjourned

Reference Appendix

Appendix I : Business Report for 2018

I . Operating Results for 2018

(1) Results of Business Plans

In 2018, the Company's consolidated net operating revenue was NT\$ 3,675,769,000, the consolidated net profits after tax were NT\$ 10,367, the consolidated basic earnings per share (EPS) after tax was NT\$ 0.1, and the diluted earnings per share was NT\$ 0.1. Please refer to the table below for details.

The annual operating revenue for 2018 increased compared with 2017 because the prices for principal raw materials of some products continued to rise since 2017 until the third quarter of 2018 when there was a rapid reversal. During such period, partial contribution to the operating revenue was made by an increase in selling prices for covering costs. In addition, other categories of products were sold at a certain quantity and price which remained unchanged; however, the rapid decline in the prices for raw materials in the third quarter, and hesitation of customers resulted in lower selling prices which affected gross profits, the allowance for inventory falling price loss derived from annual settlement resulted in a decline in gross margin compared to last year. Moreover, there was a reduction in the net profits before and after tax due to exchange rate impact and the adjustments to policies for provision of the allowance for bad debts in accordance with international accounting standards.

Operating Performance:

Unit: NT\$ 1,000

Item	2018	2017	Growth Rate
Operating Revenue	3,675,769	3,325,124	10.55%
Operating Profits	73,902	112,011	-34.02%
Net profits before tax	54,165	106,399	-49.09%

(2) Budget Implementation

The Company has not disclosed the financial forecasts for the year of 2018.

(3) Financial Revenue and Expenditure

As of December 31, 2018, the total assets were NT\$ 2,983,111,000, the total liabilities were NT\$ 1,601,455, 000, the debt ratio was 53.68%, and the current ratio was 139.69%.

(4) Analysis of Profitability

Item	2018	2017
Return on assets (%)	0.84	2.58
Return on equity (%)	0.74	4.41
Income before tax/paid-in capital (%)	5.44	10.70
Net profit margin (%)	0.28	1.88
Earnings per share (NT\$)	0.10	0.63

(5) Status of Research and Development

1. R & D expenses spent in this year:

Item	2018
Amount (NT\$ 1,000)	74,124
Proportion to operating revenue (%)	2.02%

2. The technologies or products developed successfully:

- A. High-value acrylate monomer/methacrylate monomer produced in a toluene-free manufacture process
- B. Environmentally friendly solvent-free moisture-curing liquid polyurethane adhesive
- C. Environmentally friendly solvent-free and general-purpose adhesive for flexible packaging of high strength
- D. Reactive polyurethane hot melt adhesive of high moisture permeability for environmentally friendly

solvent-free textile

E. Environmentally friendly and solvent-free 2K PU for split leather intermediate layer

F. Migration-resistant high molecular weight polyester plasticizer

G. Hydrolysis-resistant comfortable insole system materials in energy-saving process

II. Summary of Annual Business Plan for 2019

(1) Business Policies

1. In terms of the application of products in the downstream industry, continuous attention shall be paid to sports and leisure sectors, including the demand for functional materials in sports shoes, clothes, bags, equipment, outdoor activities, etc.; the Company plans to integrate upstream development and marketing with downstream development and marketing, and broaden cooperation with international brands; continue to expand the application of traditional woodware to 3C photoelectric coatings, the application of PU resin in construction, electronics and automotive-related industry to explore niche-type industries.
2. For product development, we continue to develop green and environmentally friendly materials that keep up with modern trends, including solvent-free based 1 component PU, 2K PU, thermoplastic PU, Aqueous Based PU, and low-energy UV-cured acrylic resin; and low-pollution products with low energy consumption in the course of processing, in order to find a way for building a green Earth.
3. In order to further keeping close links with the brand customers who serve the sports industry, we continue to invest in the mass production and development of solvent-free functional PU films, and deeply exploit the application market of functional textile bonding, and solvent-free PU synthetic leather.
4. In terms of resource integration by the Group, we will continue to strengthen the complementation of production and sales between the plants located in Nangang, Taiwan and Huangjiang, Guangdong; it is also necessary to combine the marketing channels of AICA and other subsidiaries in the field of optoelectronics and coatings to expand the integration effect in Greater China, to continue to invest in human resources in Southeast Asia, and to develop feasible cooperation and investment programs in addition to developing the market.

(2) Expected Sales Volume and Its Basis

Unit: MT

Type of Products	PU resin	PE resin	Other products
Quantity	39,230	1,877	2,789

The above-mentioned expected quantities are based on the annual sales in 2018, with reference to the estimate of the overall economic situation for 2019.

(3) Significant Policies for Production and Sales

1. To stabilize the quality of products, meet customer requirements, and improve customer loyalty.
2. To quickly respond to the customer's demand for special specifications of products and capture the market as soon as possible.
3. To strengthen the development of new products and customers, and take the initiative to pay close attention to the market.

III. The Company's development strategies in the future shall be influenced by the external competitive environment, regulatory environment and overall business environment:

(1) The Company's Development Strategies in the Future

- To strengthen the function of the Group: Set up the general manager's office, integrate the executive functions of the Group, and the operational affairs of each business unit, enhance the functional level of the Group, and make full use of internal resources to maximize value.
- To enhance the ability of the dedicated teams to take charge: keep the group's finance, marketing, R&D and supply chain functioned as the group's management center, with each department focused on the operation and management of specific areas, so that they are responsible for their respective goals and strategies, and create profits.
- To continuously review and focus on core competencies: Carry out internal evaluation of the value and scalability of core competencies, and innovate products and sustain core capabilities by exerting the existing capabilities of marketing and R&D.
- To build a service-oriented business model: The key to the future business strategy of EVERMORE CHEMICAL is re-examining the characteristics of the existing industrial value chains with innovative thinking and vision, finding new niche, creating differentiated value, and developing the service-oriented corporate culture of T2.5 generation manufacturing.
- Beginning with the end: Start with meeting the needs of the terminal industry and the market based on the core capabilities of precision chemistry and materials technology, and deeply explore and focus on the niche market. Looking ahead, we will focus on the overall solution in the year, by going beyond the original product application market, integrating the existing technologies of products with innovative thinking, providing customers with higher added value and developing innovative production process that keeps up with the green trends of carbon reduction and low pollution in the future.
- To improve production technology, product quality, yield rate and other related production processes through the cooperation model of international subcontracting.
- To expand the fields of construction, optoelectronics, adhesives, etc. through the AICA cooperation platform to improve business performance and profitability.
- To actively expand the Southeast Asia and emerging markets.
- To continuously recruit and train outstanding talents to achieve medium- and long-term organizational goals.
- To develop new products with high added value and enhance internal core technologies based on industry trends and customer needs.
- In addition to focusing on the development of green and environmentally friendly products, we will also contribute to the construction of green earth by responding to environmental awareness and reducing waste output.

(2) Impact of the external competitive environment, regulatory environment and overall business environment, and countermeasures

The overall business environment, including international prosperity, regional political factors, crude oil prices, trade agreements, environmental regulations of each country and exchange rates, will have impact on the operation of the chemical industry. In terms of raw materials, with reference to the prices for crude oil and supply of raw materials in the market, we will purchase raw materials with competitive price advantage if appropriate to cut product costs; with respect to trade agreements, by taking into consideration of the status of each production base of the group, and with reference to the terms of the trade agreements for territories, we will take advantage of the Group's supply chain platform and adopt a more flexible marketing strategy; as the development of chemical industry is limited by the heightening environment protection awareness of each country, the Company gradually reduces its dependence on

high-pollution energy, promotes lean production and strengthens the recycling of internal wastes, reduces waste emissions, and continues to develop environmentally friendly products in response to market development needs in the future; at the same time, in response to the changes in the business environment, we will overcome excessive dependence on a single market, and gradually strengthen the development of the Southeast Asian market.

Today, ladies and gentlemen, thanks for taking the time to attend the General Meeting of the Company. All employees of the Company will adhere to the consistent business philosophy, and will meet challenges with extreme caution like walking on thin ice, and create profits to share with shareholders and give back the society. We wish all the shareholders good health and good luck!

Chairman: Ho Wen Chieh

Manager: Huang Chang Tse

Chief Accountant: Chen Hsiang Li

EVERMORE CHEMICAL INDUSTRY CO., LTD.

Supervisor's Review Report

The Company's individual financial statement and consolidated financial statements prepared and submitted by the Board of Directors for 2018 have been audited, and determined as sufficient to appropriately reflect the Company's financial position, business results and cash flows by the accountants from Deloitte Touche Tohmatsu Limited, *i.e.* Jiang Shujing and Wu Lidong. The Audit Report together with the Business Report and earning distribution plan are determined as qualified after review by supervisors. Reports have been submitted in accordance with the provisions of Article 219 of the Taiwan's Company Act.

Best Regards

Annual General Meeting of EVERMORE CHEMICAL INDUSTRY CO., LTD. for 2019

Supervisor: Liu Wei Tung

Supervisor: Lu Hui Pin

Supervisor: Su Yi Hsiu

March 21, 2019, Taiwan

Appendix III Financial Statements and Consolidated Financial Statements for 2018

NDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Evermore Chemical Industry Co., Ltd.

Opinion

We have audited the accompanying financial statements of Evermore Chemical Industry Co., Ltd. (the Company), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters in the audit of the Company's financial statements for the year ended December 31, 2018 are stated as follows:

Impairment Assessment of Trade Receivables

The impairment assessment of trade receivables is based on the management's consideration of the possibility of recovering trade receivables and the provision for known issues. The impairment assessment of trade receivables is subject to the management's judgments and the balance of trade receivables is significant. Therefore, the impairment assessment of trade receivables was deemed to be one of the key audit matters. Refer to Notes 4, 5 and 7 to the Company's financial statements for the accounting policies related to disclosures on trade receivables.

Our key audit procedures performed in respect to impairment assessment of trade receivables included the following:

1. We understood the corresponding management's allowance for impairment loss of trade receivables and tested the correctness of trade receivables aging report, along with the allowance provision for doubtful trade receivables amount.
2. We verified the collection of individual outstanding overdue receivables and confirmed the possibility of recovering the outstanding external payments to confirm the adequacy of bad debts.
3. We assessed the reasonableness of receivables recoverable ratio and previous year's bad debt write-offs based on the customer's historical payment to verify the reasonableness of the proposed bad debt policy.

Valuation of Inventories

Due to the frequent fluctuations in international crude oil prices, fierce market competition and rapid changes in the technology of the chemical industry, the impact of net realizable value on the financial statements is significant when the estimated inventory cost and net realizable value are low at the balance sheet date; Since the decision on net realizable value of the inventory involves more estimates and judgments, the inventory evaluation was deemed to be one of the key audit matters. Refer to Notes 4, 5 and 8 to the Company's financial statements for the accounting policies related to disclosures on inventory.

Our key audit procedures performed in respect to valuation of inventories included the following:

1. We understood and tested whether management managed the inventory of normal and stagnant goods under appropriate control.
2. We obtained assessment data related to the lower of inventory cost and net realizable value prepared by the management, extracted the estimated selling price information to the most recent sales record, and assessed the basis and reasonableness of the management's estimated net realizable value.
3. We reviewed the inventory status and assessed the appropriateness of depreciation losses for obsolete or defective goods in inventory carried out at the end of the year.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chin Chiang and Lie-Dong Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 21, 2019

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

EVERMORE CHEMICAL INDUSTRY CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 28,654	1	\$ 57,262	2
Notes receivable (Notes 4, 5, 7 and 23)	70,215	3	73,254	3
Trade receivables from unrelated parties, net (Notes 4, 5 and 7)	231,370	10	270,164	11
Trade receivables from related parties, net (Notes 4, 5, 7 and 23)	106,312	4	122,496	5
Other receivables (Note 23)	18,479	1	20,774	1
Current tax assets (Notes 4 and 19)	2,249	-	-	-
Inventories (Notes 4, 5 and 8)	300,874	13	344,291	13
Other financial asset - current (Notes 4, 9 and 24)	1,570	-	1,554	-
Other current assets	<u>3,112</u>	<u>-</u>	<u>4,888</u>	<u>-</u>
Total current assets	<u>762,835</u>	<u>32</u>	<u>894,683</u>	<u>35</u>
NON-CURRENT ASSETS				
Investment accounted for using the equity method (Notes 4 and 10)	960,545	40	940,852	37
Property, plant and equipment (Notes 4, 11 and 24)	648,268	27	687,383	27
Investment properties, net (Notes 4 and 12)	1,393	-	1,542	-
Computer software, net (Note 4)	1,283	-	1,377	-
Deferred tax assets (Notes 4 and 19)	5,662	-	3,554	-
Prepayments for equipment	24,224	1	6,445	1
Refundable deposits	<u>248</u>	<u>-</u>	<u>23</u>	<u>-</u>
Total non-current assets	<u>1,641,623</u>	<u>68</u>	<u>1,641,176</u>	<u>65</u>
TOTAL	<u>\$ 2,404,458</u>	<u>100</u>	<u>\$ 2,535,859</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank borrowings (Notes 13 and 24)	\$ 390,410	16	\$ 427,037	17
Short-term bills payable (Note 13)	129,975	6	129,926	5
Notes payable (Note 23)	79,766	3	87,940	4
Trade payables (Note 23)	149,965	6	199,859	8
Other payables (Notes 14 and 23)	108,069	5	81,554	3
Current tax liabilities (Notes 4 and 19)	-	-	5,014	-
Provisions - current (Notes 4 and 15)	808	-	1,435	-
Current portion of long-term bank borrowings (Notes 13 and 24)	34,664	2	34,664	1
Other current liabilities	<u>3,445</u>	<u>-</u>	<u>5,802</u>	<u>-</u>
Total current liabilities	<u>897,102</u>	<u>38</u>	<u>973,231</u>	<u>38</u>
NON-CURRENT LIABILITIES				
Long-term bank borrowings (Notes 13 and 24)	82,085	3	116,749	5
Deferred tax liabilities (Notes 4 and 19)	<u>43,615</u>	<u>2</u>	<u>32,781</u>	<u>1</u>
Total non-current liabilities	<u>125,700</u>	<u>5</u>	<u>149,530</u>	<u>6</u>
Total liabilities	<u>1,022,802</u>	<u>43</u>	<u>1,122,761</u>	<u>44</u>
EQUITY				
Ordinary share - par value of NT\$10, authorized shares of 120,000 thousand shares, issued capital of 99,388 thousand shares	993,880	41	993,880	39
Capital surplus	98,017	4	98,017	4
Retained earnings				
Legal reserve	201,804	8	195,534	8
Special reserve	10,054	1	-	-
Unappropriated earnings	80,070	3	135,721	5
Other equity	<u>(2,169)</u>	<u>-</u>	<u>(10,054)</u>	<u>-</u>
Total equity	<u>1,381,656</u>	<u>57</u>	<u>1,413,098</u>	<u>56</u>
TOTAL	<u>\$ 2,404,458</u>	<u>100</u>	<u>\$ 2,535,859</u>	<u>100</u>

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

EVERMORE CHEMICAL INDUSTRY CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
NET SALES REVENUES (Notes 4 and 23)	\$ 1,722,183	100	\$ 1,701,576	100
COST OF GOODS SOLD (Notes 8, 18 and 23)	<u>1,604,862</u>	<u>93</u>	<u>1,528,615</u>	<u>90</u>
GROSS PROFIT	117,321	7	172,961	10
UNREALIZED GROSS PROFIT ON SALES TO SUBSIDIARIES	(3,804)	-	(3,561)	-
REALIZED GROSS PROFIT ON SALES TO SUBSIDIARIES	<u>3,561</u>	<u>-</u>	<u>3,766</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>117,078</u>	<u>7</u>	<u>173,166</u>	<u>10</u>
OPERATING EXPENSES (Note 18)				
Selling and marketing expenses	48,725	3	54,753	3
General and administrative expenses	42,754	2	46,076	3
Research and development expenses	<u>43,790</u>	<u>3</u>	<u>44,717</u>	<u>2</u>
Total operating expenses	<u>135,269</u>	<u>8</u>	<u>145,546</u>	<u>8</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(18,191)</u>	<u>(1)</u>	<u>27,620</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiaries and associates (Note 4)	30,084	2	44,072	3
Interest income	124	-	99	-
Other income (Note 23)	2,159	-	8,110	-
Foreign exchange gain (loss), net (Note 18)	10,211	1	(1,385)	-
Interest expenses (Note 23)	(9,133)	(1)	(8,229)	(1)
Other expenses (Note 18)	<u>(694)</u>	<u>-</u>	<u>(502)</u>	<u>-</u>
Total non-operating income and expenses	<u>32,751</u>	<u>2</u>	<u>42,165</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	14,560	1	69,785	4
INCOME TAX EXPENSE (Notes 4 and 19)	<u>4,193</u>	<u>-</u>	<u>7,082</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>10,367</u>	<u>1</u>	<u>62,703</u>	<u>4</u>

(Continued)

EVERMORE CHEMICAL INDUSTRY CO., LTD

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ 10,611	-	\$ (36,522)	(2)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 19)	<u>(2,726)</u>	<u>-</u>	<u>6,104</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>7,885</u>	<u>-</u>	<u>(30,418)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 18,252</u>	<u>1</u>	<u>\$ 32,285</u>	<u>2</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 0.10</u>		<u>\$ 0.63</u>	
Diluted	<u>\$ 0.10</u>		<u>\$ 0.63</u>	

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

(Concluded)

EVERMORE CHEMICAL INDUSTRY CO., LTD.

STATEMENTS OF CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2018 AND 2017

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

	Equity Attributable to Owners of the Company					Other Equity	
			Retained Earnings (Note 17)		Unappropriated Earnings (Note 19)	Exchange Differences on Translating Foreign Operations	Total Equity
	Ordinary Shares	Capital Surplus (Note 17)	Legal Reserve	Special Reserve			
BALANCE AT JANUARY 1, 2017	\$ 993,880	\$ 98,017	\$ 188,211	\$ -	\$ 130,035	\$ 20,364	\$ 1,430,507
Appropriation of 2016 earnings							
Legal reserve	-	-	7,323	-	(7,323)	-	-
Cash dividends distributed by the Company - NT\$ 0.5 per share	-	-	-	-	(49,694)	-	(49,694)
Net profit for the year ended December 31, 2017	-	-	-	-	62,703	-	62,703
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(30,418)	(30,418)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	62,703	(30,418)	32,285
BALANCE AT DECEMBER 31, 2017	993,880	98,017	195,534	-	135,721	(10,054)	1,413,098
Appropriation of 2017 earnings							
Legal reserve	-	-	6,270	-	(6,270)	-	-
Special reserve	-	-	-	10,054	(10,054)	-	-
Cash dividends distributed by the Company - NT\$ 0.5 per share	-	-	-	-	(49,694)	-	(49,694)
Net profit for the year ended December 31, 2018	-	-	-	-	10,367	-	10,367
Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	-	7,885	7,885
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	10,367	7,885	18,252
BALANCE AT DECEMBER 31, 2018	\$ 993,880	\$ 98,017	\$ 201,804	\$ 10,054	\$ 80,070	\$ (2,169)	\$ 1,381,656

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

EVERMORE CHEMICAL INDUSTRY CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 14,560	\$ 69,785
Adjustments for:		
Depreciation expenses	58,666	57,562
Amortization expenses	1,245	706
Interest expenses	9,133	8,229
Interest income	(124)	(99)
Share of profit of subsidiaries and associates	(30,084)	(44,072)
Gain on disposal of property, plant and equipment	(48)	(206)
Impairment loss recognized on non-financial assets	14,191	533
Realized gross loss (profit) on sales to subsidiaries	243	(205)
Loss on foreign exchange, net	3,056	95
Net changes in operating assets and liabilities		
Notes receivable	3,039	(17,266)
Trade receivables	54,835	(78,217)
Other receivables	1,638	2,791
Inventories	29,226	(50,661)
Other current assets	1,776	(973)
Notes payable	(8,174)	(37,500)
Trade payables	(49,439)	61,223
Other payables	(9,395)	(891)
Provisions	(627)	(45)
Other current liabilities	(2,357)	287
Cash generated from (used in) operations	91,360	(28,924)
Interest received	108	83
Interest paid	(9,346)	(7,797)
Income tax paid	(5,456)	(4,619)
Net cash generated from (used in) operating activities	76,666	(41,257)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(7,957)	(17,032)
Proceeds from disposal of property, plant and equipment	48	250
Increase in refundable deposits	(237)	(1)
Decrease in refundable deposits	12	54
Decrease (increase) in other receivables from related parties	687	(11,114)
Payments for intangible assets	(1,151)	(140)
Decrease in other financial assets	-	5,005
Increase in prepayments for equipment	(27,781)	(158,578)
Dividend received	20,759	25,344
Net cash used in investing activities	(15,620)	(156,212)

(Continued)

EVERMORE CHEMICAL INDUSTRY CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 1,712,973	\$ 1,794,629
Repayments of short-term borrowings	(1,749,988)	(1,621,106)
Proceeds from short-term bills payable	49	46
Proceeds from long-term borrowings	-	173,300
Repayments of long-term borrowings	(34,664)	(78,179)
Increase in other payables	31,670	29,760
Dividends paid to owners of the Company	<u>(49,694)</u>	<u>(49,694)</u>
Net cash generated from (used in) financing activities	<u>(89,654)</u>	<u>248,756</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(28,608)	51,287
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>57,262</u>	<u>5,975</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 28,654</u>	<u>\$ 57,262</u>

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

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Evermore Chemical Industry Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Evermore Chemical Industry Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters in the audit of the Group's consolidated financial statements for the year ended December 31, 2018 are stated as follows:

Impairment Assessment of Accounts Receivable

The impairment assessment of accounts receivable is based on the management's consideration of the possibility of recovering accounts receivable and the provision for known issues. The impairment assessment of trade receivables is subject to the management's judgments and the balance of accounts receivable is significant. Therefore, the impairment assessment of accounts receivable was deemed to be one of the key audit matters. Refer to Notes 4, 5 and 7 to the accompanying consolidated financial statements for the accounting policies related to disclosures on accounts receivable.

Our key audit procedures performed in respect to impairment assessment of accounts receivable included the following:

1. We understood the corresponding management's allowance for impairment loss of trade receivables and tested the correctness of trade receivables aging report, along with the allowance provision for doubtful trade receivables amount.
2. We verified the collection of individual outstanding overdue receivables and confirmed the possibility of recovering the outstanding external payments to confirm the adequacy of bad debts.
3. We assessed the reasonableness of receivables recoverable ratio and previous year's bad debt write-offs based on the customer's historical payment to verify the reasonableness of the proposed bad debt policy.

Valuation of Inventories

Due to the frequent fluctuations in international crude oil prices, fierce market competition and rapid changes in the technology of the chemical industry, the impact of net realizable value on the financial statements is significant when the estimated inventory cost and net realizable value are low at the balance sheet date. Since the decision on net realizable value of the inventory involves more estimates and judgments, the inventory evaluation was deemed to be one of the key audit matters. Refer to Notes 4, 5 and 8 to the accompanying consolidated financial statements for the accounting policies related to disclosures on inventory.

Our key audit procedures performed in respect to valuation of inventories included the following::

1. We understood and tested whether management managed the inventory of normal and stagnant goods under appropriate control.
2. We obtained assessment data related to the lower of inventory cost and net realizable value prepared by the management, extracted the estimated selling price information to the most recent sales record, and assessed the basis and reasonableness of the management's estimated net realizable value.
3. We reviewed the inventory status and assessed the appropriateness of depreciation losses for obsolete or defective goods in inventory carried out at the end of the year.

Other Matter

We have also audited the parent company only financial statements of Evermore Chemical Industry Co., Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unqualified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chin Chiang and Lie-Dong Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 21, 2019

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 236,825	8	\$ 347,871	11
Notes receivable (Notes 4, 5 and 7)	136,458	5	165,180	5
Trade receivables from unrelated parties (Notes 4, 5 and 7)	799,508	27	734,800	24
Trade receivables from related parties, net (Notes 4, 5, 7 and 25)	92,886	3	95,999	3
Other receivables (Note 25)	19,589	1	16,989	1
Current tax assets (Notes 4 and 21)	8,079	-	5,696	-
Inventories (Notes 4, 5 and 8)	694,361	23	667,633	22
Other financial asset - current (Notes 4, 9, 15 and 26)	1,570	-	1,554	-
Prepayments (Notes 4 and 14)	38,240	1	38,165	1
Other current assets	<u>587</u>	<u>-</u>	<u>157</u>	<u>-</u>
Total current assets	<u>2,028,103</u>	<u>68</u>	<u>2,074,044</u>	<u>67</u>
NON-CURRENT ASSETS				
Investment accounted for using the equity method (Notes 4 and 11)	2,990	-	6,932	1
Property, plant and equipment (Notes 4, 12 and 26)	890,423	30	954,162	31
Investment properties, net (Notes 4 and 13)	1,393	-	1,542	-
Intangible assets (Note 4)	4,247	-	4,710	-
Deferred tax assets (Notes 4 and 21)	11,827	-	6,779	-
Prepayments for equipment	24,742	1	6,445	-
Refundable deposits	1,525	-	1,276	-
Long-term prepayments for lease (Notes 4 and 14)	<u>17,861</u>	<u>1</u>	<u>18,039</u>	<u>1</u>
Total non-current assets	<u>955,008</u>	<u>32</u>	<u>999,885</u>	<u>33</u>
TOTAL	<u>\$ 2,983,111</u>	<u>100</u>	<u>\$ 3,073,929</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank borrowings (Notes 15 and 26)	\$ 781,947	26	\$ 788,916	26
Short-term bills payable (Note 15)	129,975	5	149,907	5
Notes payable	97,998	3	101,806	3
Trade payables (Note 25)	278,609	9	285,698	9
Other payables (Notes 16 and 25)	105,876	4	110,303	4
Current tax liabilities (Notes 4 and 21)	12,561	1	11,430	1
Provisions - current (Notes 4 and 17)	808	-	1,435	-
Current portion of long-term bank borrowings (Notes 15 and 26)	34,664	1	34,664	1
Other current liabilities	<u>9,433</u>	<u>-</u>	<u>9,111</u>	<u>-</u>
Total current liabilities	<u>1,451,871</u>	<u>49</u>	<u>1,493,270</u>	<u>49</u>
NON-CURRENT LIABILITIES				
Long-term bank borrowings (Notes 15 and 26)	82,085	3	116,749	4
Deferred tax liabilities (Notes 4 and 21)	67,005	2	50,334	1
Guarantee deposits	<u>494</u>	<u>-</u>	<u>478</u>	<u>-</u>
Total non-current liabilities	<u>149,584</u>	<u>5</u>	<u>167,561</u>	<u>5</u>
Total liabilities	<u>1,601,455</u>	<u>54</u>	<u>1,660,831</u>	<u>54</u>
EQUITY				
Ordinary shares - par value of NT\$10, authorized shares of 120,000 thousand shares, issued capital of 99,388 thousand shares	993,880	33	993,880	32
Capital surplus	98,017	3	98,017	3
Retained earnings				
Legal reserve	201,804	7	195,534	6
Special reserve	10,054	-	-	-
Unappropriated earnings	80,070	3	135,721	5
Other equity	<u>(2,169)</u>	<u>-</u>	<u>(10,054)</u>	<u>-</u>
Total equity	<u>1,381,656</u>	<u>46</u>	<u>1,413,098</u>	<u>46</u>
TOTAL	<u>\$ 2,983,111</u>	<u>100</u>	<u>\$ 3,073,929</u>	<u>100</u>

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

EVERMORE CHEMICAL INDUSTRY CO., LTD AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
NET SALES REVENUES (Notes 4 and 25)	\$ 3,675,769	100	\$ 3,325,124	100
COST OF GOODS SOLD (Notes 8, 20 and 25)	<u>3,233,202</u>	<u>88</u>	<u>2,859,048</u>	<u>86</u>
GROSS PROFIT	<u>442,567</u>	<u>12</u>	<u>466,076</u>	<u>14</u>
OPERATING EXPENSES (Note 20)				
Selling and marketing expenses	164,254	5	163,533	5
General and administrative expenses	115,013	3	113,036	4
Research and development expenses	74,124	2	77,496	2
Expected credit loss (Notes 4 and 7)	<u>15,274</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>368,665</u>	<u>10</u>	<u>354,065</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>73,902</u>	<u>2</u>	<u>112,011</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Share of loss of associates (Note 4)	(3,338)	-	(659)	-
Interest income	1,215	-	886	-
Other income	10,143	-	14,092	-
Foreign exchange gain (loss), net (Note 20)	(6,883)	-	184	-
Interest expenses (Note 20)	(19,057)	(1)	(16,203)	-
Other expenses	<u>(1,817)</u>	<u>-</u>	<u>(3,912)</u>	<u>-</u>
Total non-operating income and expenses	<u>(19,737)</u>	<u>(1)</u>	<u>(5,612)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	54,165	1	106,399	3
INCOME TAX EXPENSE (Notes 4 and 21)	<u>43,798</u>	<u>1</u>	<u>43,696</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>10,367</u>	<u>-</u>	<u>62,703</u>	<u>2</u>

(Continued)

EVERMORE CHEMICAL INDUSTRY CO., LTD AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ 10,611	-	\$ (36,522)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 21)	<u>(2,726)</u>	<u>-</u>	<u>6,104</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>7,885</u>	<u>-</u>	<u>(30,418)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 18,252</u>	<u>-</u>	<u>\$ 32,285</u>	<u>1</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 0.10</u>		<u>\$ 0.63</u>	
Diluted	<u>\$ 0.10</u>		<u>\$ 0.63</u>	

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

(Concluded)

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Company					Other Equity	
			Retained Earnings (Note 19)		Unappropriated Earnings (Note 21)	Exchange Differences on Translating Foreign Operations	Total Equity
	Ordinary Shares	Capital Surplus (Note 19)	Legal Reserve	Special Reserve			
BALANCE AT JANUARY 1, 2017	\$ 993,880	\$ 98,017	\$ 188,211	\$ -	\$ 130,035	\$ 20,364	\$ 1,430,507
Appropriation of 2016 earnings							
Legal reserve	-	-	7,323	-	(7,323)	-	-
Cash dividends distributed by the Company - NT\$0.5 per share	-	-	-	-	(49,694)	-	(49,694)
Net profit for the year ended December 31, 2017	-	-	-	-	62,703	-	62,703
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(30,418)	(30,418)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	62,703	(30,418)	32,285
BALANCE AT DECEMBER 31, 2017	993,880	98,017	195,534	-	135,721	(10,054)	1,413,098
Appropriation of 2017 earnings							
Legal reserve	-	-	6,270	-	(6,270)	-	-
Special reserve	-	-	-	10,054	(10,054)	-	-
Cash dividends distributed by the Company - NT\$0.5 per share	-	-	-	-	(49,694)	-	(49,694)
Net profit for the year ended December 31, 2018	-	-	-	-	10,367	-	10,367
Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	-	7,885	7,885
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	10,367	7,885	18,252
BALANCE AT DECEMBER 31, 2018	\$ 993,880	\$ 98,017	\$ 201,804	\$ 10,054	\$ 80,070	\$ (2,169)	\$ 1,381,656

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

EVERMORE CHEMICAL INDUSTRY CO., LTD AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 54,165	\$ 106,399
Adjustments for:		
Depreciation expenses	97,319	101,524
Amortization expenses	1,708	941
Expected credit loss	15,274	-
Reversal of impairment gain on trade receivables	-	(4,878)
Interest expenses	19,057	16,203
Interest income	(1,215)	(886)
Share of loss of associates	3,338	659
Gain on disposal of property, plant and equipment	(48)	(128)
Impairment loss recognized on non-financial assets	16,396	917
Gain on foreign exchange, net	(1,426)	(1,282)
Net changes in operating assets and liabilities		
Notes receivable	29,022	(49,003)
Trade receivables	(77,541)	(131,267)
Other receivables	(2,635)	3,503
Inventories	(42,942)	(92,098)
Prepayments	(75)	15,477
Other current assets	(1,173)	18,031
Notes payable	(3,808)	(34,568)
Trade payables	(7,046)	89,278
Other payables	(4,963)	(10,799)
Provisions	(627)	(45)
Other current liabilities	322	1,839
Cash generated from operations	93,102	29,817
Interest received	1,199	870
Interest paid	(19,274)	(15,756)
Income tax paid	(35,153)	(41,191)
Net cash generated from (used in) operating activities	39,874	(26,260)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(19,705)	(43,736)
Proceeds from disposal of property, plant and equipment	48	250
Increase in refundable deposits	(264)	(917)
Decrease in refundable deposits	54	149
Payments of intangible assets	(1,244)	(3,645)
Decrease in other financial assets	-	5,005
Increase in prepayments for equipment	(28,530)	(164,786)
Net cash used in investing activities	(49,641)	(207,680)

(Continued)

EVERMORE CHEMICAL INDUSTRY CO., LTD AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 4,421,898	\$ 4,723,975
Repayments of short-term borrowings	(4,438,813)	(4,567,338)
Proceeds (repayments) from short-term bills payable	(19,932)	38
Proceeds from long-term borrowings	-	173,300
Repayments of long-term borrowings	(34,664)	(78,179)
Dividends paid to owners of the Company	<u>(49,694)</u>	<u>(49,694)</u>
Net cash generated from (used in) financing activities	<u>(121,205)</u>	<u>202,102</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>19,926</u>	<u>(59,409)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(111,046)	(91,247)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>347,871</u>	<u>439,118</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 236,825</u>	<u>\$ 347,871</u>

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

(Concluded)

Appendix IV Statement for Distribution of Earnings

EVERMORE CHEMICAL INDUSTRY CO., LTD.

Statement for Distribution of Earnings

2018

Unit: NT\$

Item	Amount	
	Subtotal	Total
Earnings undistributed in the previous year		69,701,901
Net profits after tax in 2018	10,368,029	
Less: provision for 10% of statutory surplus reserves	(1,036,803)	
Add: reversal of the special surplus reserves for which provision is made in accordance with the law	7,884,866	
		17,216,092
Earnings distributed for this period		86,917,993
Distribution:		
Dividends paid to shareholders - cash dividends (Note 2)		14,908,200
Earnings undistributed at the end of the reporting period		72,009,793

Notes:

1. The Board of Directors is authorized by the shareholders to fix the ex dividend date after the payment of cash dividends is approved at the annual general meeting by way of resolution.
2. Currently, dividends are calculated based on the issued 99,388,000 shares and distributed at NT\$ 0.15 per share.
(The cash dividends distributed are round down to NT\$ 1. Therefore, the total amount of cash dividends is subject to the actual amount distributed.)
3. In addition, in order to comply with the integrated income tax system, after income taxes are imposed on 10% of the undistributed earnings from the profit-making business in accordance with Article 66-9 of the Income Tax Law, priorities shall be given to distribution of the most recent annual earnings in accordance with the No. 871941343 letter of the Ministry of Finance on April 30, 1998 (Taiwan Finance and Taxation).

Chairman: Ho Wen Chieh

Manager: Huang Chang Tse

Chief Accountant: Chen Hsiang Li

Revised Provisions	Original Provisions	Description
<p>Article 2: The Company's business is as follows: <u>C801100 Manufacturing of synthetic resin and plastics</u> <u>C802120 Manufacturing of industrial additives</u> <u>C805010 Manufacturing of plastic leather, cloth, boards and tubular products</u> <u>C801990 Manufacturing of other chemical materials</u> <u>C802990 Manufacturing of other chemicals</u> <u>F107170 Wholesale of industrial additives</u> <u>F107200 Wholesale of chemical raw materials</u> <u>F107990 Wholesale of other chemicals</u> <u>F401010 International trade</u> <u>ZZ99999 All business items that are not prohibited or limited by law, except for those that are subject to special approval</u></p>	<p>Article 2: The Company's business is as follows: <u>I .Manufacture and sale of synthetic resin for coatings, printing ink, paper making, textile, construction, waterproof, and rubber, such as melamine resin, phthalic anhydride resin, acrylic resin, carbolic acid resin, epoxy resin, urethane resin, urea resin, fluorene ketone resin, polyester resin, butylene diacid resin, etc.</u> <u>II .Manufacture and sale of synthetic chemical raw materials, such as glues, surface treatment agents, elastomer resin coatings, foam resins and processed product adhesives, safety agents and accelerants for plastic processing (except for controlled items).</u> <u>III .Manufacture and sale of resin additives and additives.</u> <u>IV.Import and export trade business related to the above-mentioned products.</u> <u>V.Business operations and investments related to the above-mentioned products.</u></p>	<p>There is an addition to the “business items that are not prohibited or limited by law, except for those that are subject to special approval”, and an amendment to other business items in compliance with the policies of the competent authorities, with the information filled out based on the subclass code and business type as defined in the “List of Company Business Code”.</p>
<p>Article 29: If the Company makes profits in the year, 3% to 5% of the profits shall be reserved to pay employee remuneration and no more than 2% of the profits reserved to pay director and supervisor remuneration. However, if the Company has accumulated losses, the profits shall be reserved in advance to cover the losses. <u>The employees to whom the Company pays to remuneration, issues new shares that restrict employees' rights, issues subscription warrants, the acquired shares are transferred and who subscribes new shares issued by the Company include the employees of the affiliated companies that meet the conditions prescribed by the Board of Directors.</u></p>	<p>Article 29: If the Company makes profits in the year, 3% to 5% of the profits shall be reserved to pay employee remuneration and no more than 2% of the profits reserved to pay director and supervisor remuneration. However, if the Company has accumulated losses, the profits shall be reserved in advance to cover the losses. <u>The employee remuneration described in the preceding paragraph shall be paid in the form shares or in cash as determined by the Board of Directors, and the employees to whom the Company pays remuneration shall include the employees of the affiliated companies that meet certain conditions.</u></p>	<p>According to the revised Taiwan's Company Act that came into effect from November 1, 2018 in Taiwan, the scope of rewards and remuneration for employees was expanded to solicit and retain talents.</p>
<p>Article 33: These Articles were enacted on April 24, 1989 ..., the 21st amendment was made on June 22, 2015; the 22nd amendment was made on June 23, 2016; the 23rd amendment was made on June 22, 2017; the 24th amendment was made on March 7, 2018. <u>The 25th amendment was made on June 27, 2019.</u></p>	<p>Article 33: These Articles were enacted on April 24, 1989 ..., the 21st amendment was made on June 22, 2015; the 22nd amendment was made on June 23, 2016; the 23rd amendment was made on June 22, 2017; and the 24th amendment was made on June 26, 2018.</p>	<p>The revision dates are included.</p>

EVERMORE CHEMICAL INDUSTRY CO., LTD.

Comparison Table of Amendments to the Procedures for Fund Lending and Endorsement & Guarantee

Revised on March 21, 2019

Revised Provisions	Original Provisions	Description
<p>Article 3</p> <p>In accordance with Article 15 of the Taiwan's Company Act, the Company shall not lend funds to any of its shareholders or any other person except under the following circumstances:</p> <p>1. Where an inter-company or inter-firm business transaction calls for a loan arrangement; or</p> <p>2. Where an inter-company or inter-firm short-term (a year or a business cycle, whichever is longer) financing facility is necessary, Provided that such financing amount (the cumulative balance of short-term financing) shall not exceed 40% of the Company's net worth.</p> <p>The restriction in Subparagraph 3.1.2 shall not apply to inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares <u>, or loans of funds from foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares to the Company.</u></p>	<p>Article 3</p> <p>In accordance with Article 15 of the Taiwan's Company Act, the Company shall not lend funds to any of its shareholders or any other person except under the following circumstances:</p> <p>1. Where an inter-company or inter-firm business transaction calls for a loan arrangement; or</p> <p>2. Where an inter-company or inter-firm short-term (a year or a business cycle, whichever is longer) financing facility is necessary, Provided that such financing amount (the cumulative balance of short-term financing) shall not exceed 40% of the Company's net worth.</p> <p>The restriction in Subparagraph 3.1.2 shall not apply to inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares.</p>	<p>In order to increase the flexibility of the internal funds transferred among the group companies, and due to the fact that Article 15 of the Taiwan's Company Act applies to no foreign companies, the restriction on funds lent by the foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares to publicly listed companies is relaxed, without regard to the limitation of 40% of net worth and a one-year period of time.</p>
<p>Article 7</p> <p>The term "Announcement and Report" as used in the Procedures means the process of entering data to the information reporting website designated by the Financial Supervisory Commission.</p> <p>The term "date of occurrence of the fact" as used in the Procedures refers to the date of contract signing, date of payment, date of a resolution adopted by the Board of Directors, or other date that can confirm the <u>fund lending or endorsement & guarantee</u></p>	<p>Article 7</p> <p>The term "Announcement and Report" as used in the Procedures means the process of entering data to the information reporting website designated by the Financial Supervisory Commission.</p> <p>The "Date of Occurrence" as referred to herein shall mean the date of contract signing, date of payment, date of a resolution adopted by the Board of Directors, or other date that can confirm the <u>transaction</u> counterparty and <u>transaction</u> amount;</p>	<p>Considering the fund lending or endorsement & guarantee is not a transaction, the wording of Subparagraph 3.1.2 is amended as appropriate.</p>

Revised Provisions	Original Provisions	Description
counterparty and amount of a transaction, whichever is earlier.	whichever date is earlier.	
<p>Article 14</p> <p>If the endorsement & guarantee provided by the Company falls into any of the following circumstances, the Company shall announce and report such event within two days commencing immediately from the date of occurrence of the fact:</p> <p>1. The balance of the endorsement & guarantee provided by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>2. The balance of the endorsement & guarantee provided by the Company and its subsidiaries to a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>3. The balance of the endorsement & guarantee provided by the Company and its subsidiaries to a single enterprise reaches NT\$ 10 million, and the aggregate of the endorsement & guarantee <u>carrying amount of investments recognized under equity method</u> and the balance of loans from the Company and its subsidiaries to such single enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>4. The amount of new endorsement & guarantee provided by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>If it is necessary for the Company's subsidiary which is not a Taiwan public company to announce or report such event as listed in the preceding paragraph, the</p>	<p>Article 14</p> <p>If the endorsement & guarantee provided by the Company falls into any of the following circumstances, the Company shall announce and report such event within two days commencing immediately from the date of occurrence of the fact:</p> <p>1. The balance of the endorsement & guarantee provided by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>2. The balance of the endorsement & guarantee provided by the Company and its subsidiaries to a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>3. The balance of the endorsement & guarantee provided by the Company and its subsidiaries to a single enterprise reaches NT\$ 10 million, and the aggregate of the endorsement & guarantee <u>long-term investments</u> and the balance of loans from the Company and its subsidiaries to such single enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>4. The amount of new endorsement & guarantee provided by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>If it is necessary for the Company's subsidiary which is not a Taiwan public company to announce or report such event as listed in the preceding paragraph, the Company will follow the requirement on</p>	<p>In order to clarify the definition of long-term investments, the Paragraph 1(3) above is amended in accordance with Section 9(4)(1) of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>

Revised Provisions	Original Provisions	Description
Company will follow the requirement on behalf of its subsidiary.	behalf of its subsidiary.	
<p>Article 16</p> <p>Internal auditors of the Company shall at least perform auditing on the Procedures for Fund Lending and Endorsement & Guarantee and the implementation of the Procedures on a quarterly basis, and produce written auditing records. Should there be any violation found, a written report is needed to notify supervisors <u>and independent directors</u>. If the balance of loans exceed the limit, the entities to which endorsement & guarantee are provided no longer meet the requirements of these Procedures or the amount exceeds the limit when there are changes in the circumstances, an improvement plan shall be developed. The relevant improvement plan shall also be submitted to supervisors <u>and independent directors</u>, and the improvement shall be made according to the schedule.</p>	<p>Article 16</p> <p>Internal auditors of the Company shall at least perform auditing on the Procedures for Fund Lending and Endorsement & Guarantee and the implementation of the Procedures on a quarterly basis, and produce written auditing records. Should there be any violation found, a written report is needed to notify supervisors. If the balance of loans exceeds the limit, the entities to which endorsement & guarantee are provided no longer meet the requirements of these Procedures or the amount exceeds the limit when there are changes in the circumstances, an improvement plan shall be developed. The relevant improvement plan shall also be submitted to supervisors, and the improvement shall be made according to the schedule.</p>	<p>These Procedures shall be revised in accordance with the addition of Article 26.2 of the Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies.</p>
<p>Article 20</p> <p>These Procedures shall be submitted to supervisors at the general meeting for approval after being adopted by the Board of Directors. If any director raises an objection evidenced by records or a written statement, the Company shall submit the objection to the supervisors for discussion at the general meeting. Such requirements also apply to the amendments hereto.</p> <p>The Company has appointed independent directors. When the Procedures for Fund Lending and Endorsement & Guarantee are submitted to the Board of Directors for discussions, or the Company lends funds to others or makes endorsements & guarantees for others in accordance with the preceding paragraph, the opinions expressed by the</p>	<p>Article 20</p> <p>These Procedures shall be submitted to supervisors at the general meeting for approval after being adopted by the Board of Directors. If any director raises an objection evidenced by records or a written statement, the Company shall submit the objection to the supervisors for discussion at the general meeting. Such requirements also apply to the amendments hereto.</p> <p><u>In addition, if</u> the Company has appointed independent directors, when the Procedures for Fund Lending and Endorsement & Guarantee are submitted to the Board of Directors for discussions, or the Company lends funds to others or makes endorsements & guarantees for others in accordance with the preceding paragraph, the opinions</p>	

Revised Provisions	Original Provisions	Description
independent directors shall be taken into full consideration <u>If an independent director has objections or qualified opinions, such objections or qualified opinions shall be stated in the minutes of the meeting of the Board.</u>	expressed by the independent directors shall be taken into full consideration <u>and the specific opinions from such independent directors for consent or objection, and reasons for objection shall be stated in the minutes of the meeting of the Board.</u>	

EVERMORE CHEMICAL INDUSTRY CO., LTD.

Comparison Table of Amendments to the Procedures for Acquisition or Disposal of Assets

Amendments	Current Provisions	Description
<p>Article 2: Legal Basis</p> <p>These Procedures are established pursuant to Article 36 of Taiwan's Securities and Exchange Act, and revised in accordance with Taiwan's Regulations Governing the Acquisition or Disposal of Assets of Public Companies (<u>hereinafter referred to as the "Regulations"</u>).</p>	<p>Article 2: Legal Basis</p> <p>These Procedures are established pursuant to Article 36 of Taiwan's Securities and Exchange Act, and revised in accordance with Taiwan's Regulations Governing the Acquisition or Disposal of Assets of Public Companies.</p>	<p>The abbreviation is inserted for the convenience of other terms.</p>
<p>Article 3: Scope of Assets</p> <p>1. Securities: Including investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>2. Real property (including lands, houses and buildings, investment property, and inventories of construction enterprises) and equipment.</p> <p>3. Memberships.</p> <p>4. Intangible Assets: Including patents, copyrights, trademarks, franchise rights and other intangible assets.</p> <p>5. <u>Right to use assets.</u></p> <p>6. Claims of Financial Institutions (including receivables, bills purchased and discounted, loans and overdue receivables).</p> <p>7. Derivative Products.</p> <p>8. Assets acquired or disposed of in connection with mergers, spin-off, acquisitions or transfer of shares in accordance with the law.</p> <p>9. Other major assets.</p>	<p>Article 3: Scope of Assets</p> <p>1. Securities: Including investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>2. Real property (including lands, houses and buildings, investment property, <u>land use rights</u> and inventories of construction enterprises) and equipment.</p> <p>3. Memberships.</p> <p>4. Intangible Assets: Including patents, copyrights, trademarks, franchise rights and other intangible assets.</p> <p>5. Claims of Financial Institutions (including receivables, bills purchased and discounted, loans and overdue receivables).</p> <p>6. Derivative Products.</p> <p>7. Assets acquired or disposed of in connection with mergers, spin-off, acquisitions or transfer of shares in accordance with the law.</p> <p>8. Other major assets.</p>	<p>1. In accordance with the provisions of the International Financial Reporting Standards 16 Leases (IFRS 16), the fifth paragraph shall be added to expand the scope of the right to use assets, and the land use right contained in the second paragraph shall be moved to the fifth paragraph.</p> <p>2. The current Paragraphs 5 to 8 are moved to paragraphs 6 to 9.</p>
<p>Article 4: Definitions</p> <p>"Derivative Products":</p> <p>Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, <u>the combination of the aforesaid contracts or compound contracts incorporating derivative</u></p>	<p>Article 4: Definitions</p> <p>1. "Derivative Products": Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from <u>assets, interest</u></p>	

Amendments	Current Provisions	Description
<p><u>products or structured products</u>, whose value is derived from <u>certain interest rates, prices for financial instruments, prices for commodities, foreign exchange rates, indexes for prices or fee rates, credit ratings or indexes or other variables</u>. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) <u>agreements</u>.</p> <p>2. Assets acquired or disposed of in connection with mergers, spin-off, acquisitions or transfer of shares in accordance with the law refer to the assets acquired or disposed through mergers, spin-offs or acquisitions conducted under the Mergers and Acquisition Act, Financial Holding Company Act, Financial Institutions Merger Act or other laws, or share transfer by issuance of new shares as consideration conducted under the <u>Paragraph 3 of Article 156 of Taiwan's Company Act</u> (hereinafter "Transfer of Shares").</p> <p>3-8: omitted.</p>	<p><u>rates, foreign exchange rates, indexes or other interests</u>. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) <u>agreements</u>.</p> <p>2. Assets acquired or disposed of in connection with mergers, spin-off, acquisitions or transfer of shares in accordance with the law refer to the assets acquired or disposed through mergers, spin-offs or acquisitions conducted under the Mergers and Acquisition Act, Financial Holding Company Act, Financial Institutions Merger Act or other laws, or share transfer by issuance of new shares as consideration conducted under the <u>Paragraph 8 of Article 156 of Taiwan's Company Act</u> (hereinafter "Transfer of Shares").</p> <p>3-8: omitted.</p>	
<p>Article 6: Professional appraisers and their officers, certified public accountants, attorneys, or securities underwriters that provide the Company with appraisal reports or opinions <u>shall meet the Paragraph 5 of the Regulations</u></p>	<p>Article 6: Professional appraisers and their officers, certified public accountants, attorneys, or securities underwriters that provide the Company with appraisal reports or opinions <u>and the parties to a transaction shall not be related parties</u>.</p>	
<p>Article 7: Procedures for Acquisition or Disposal of Real Property , Equipment <u>or Right to Use Assets</u></p> <p>Paragraphs 1-3 are omitted.</p> <p>4. Appraisal Report on Real Property or Other Fixed Assets</p> <p>When the Company acquires or disposes of real property ,equipment <u>or right to use assets</u>, if the transaction</p>	<p>Article 7: Procedures for Acquisition or Disposal of Real Property or Equipment</p> <p>Paragraphs 1-3 are omitted.</p> <p>4. Appraisal Report on Real Property or Other Fixed Assets</p> <p>When the Company acquires or disposes of real property <u>or</u> equipment, if the transaction amount reaches twenty</p>	<p>The wording shall be revised in accordance with Paragraph 5 of Article 3 of these Procedures and Article 9 of the Regulations.</p>

Amendments	Current Provisions	Description
<p>amount reaches twenty percent (20%) of the Company's paid-in capital or NTD 300 million or more, the Company, except for transacting with a <u>domestic</u> government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of the facilities <u>or right to use assets</u> for business purpose, shall obtain an appraisal report prior to the Date of Occurrence from a professional appraiser, and shall further comply with the following provisions:</p> <p>(1) Where it is necessary to take a restrictive price, specified price or special price as a reference basis for the transaction price for special reason, the transaction shall be submitted for approval in advance by the Board ; <u>the same procedure shall be followed for any subsequent changes to the terms and conditions of the transaction.</u></p> <p>(2) Where the transaction amount reaches NTD 1 billion or more, two or more professional appraisers shall be engaged to carry out appraisal.</p> <p>The transaction amount described in this Paragraph shall be calculated pursuant to Article 14.1. <u>8</u>. If the Company has obtained an appraisal report from a professional appraiser or opinions from a certified public accountant in accordance with these Procedures, it shall be exempt from such requirement.</p> <p>Paragraphs (2) to (5) are omitted.</p>	<p>percent (20%) of the Company's paid-in capital or NTD 300 million or more, the Company, except for transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of the facilities for business purpose, shall obtain an appraisal report prior to the Date of Occurrence from a professional appraiser, and shall further comply with the following provisions:</p> <p>(1) Where it is necessary to take a restrictive price, specified price or special price as a reference basis for the transaction price for special reason, the transaction shall be submitted for approval in advance by the Board <u>the same procedure shall apply to any changes to the terms and conditions of the transaction in the future.</u></p> <p>(2) Where the transaction amount reaches NTD 1 billion or more, two or more professional appraisers shall be engaged to carry out appraisal.</p> <p>The transaction amount described in this Paragraph shall be calculated pursuant to Article 14.1. <u>6</u>. If the Company has obtained an appraisal report from a professional appraiser or opinions from a certified public accountant in accordance with these Procedures, it shall be exempt from such requirement.</p> <p>Paragraphs (3) to (5) are omitted.</p>	<p>Correcting errors.</p>
<p>Article 8: Procedures for Acquisition or Disposal of Investments in Securities Paragraphs 1-3 are omitted.</p> <p>4. Expert Opinions</p> <p>(1) If the transactional amount reaches twenty percent (20%) of the Company's paid-in capital or NTD 300 million, the opinions from a certified public account shall be obtained prior to the Date of Occurrence in respect of the reasonableness of the transaction price.</p>	<p>Article 8: Procedures for Acquisition or Disposal of Investments in Securities Paragraphs 1-3 are omitted.</p> <p>4. Expert Opinions</p> <p>(1) If the transactional amount reaches twenty percent (20%) of the Company's paid-in capital or NTD 300 million, the opinions from a certified public account shall be obtained prior to the Date of Occurrence in respect of the reasonableness of the transaction price.</p>	<p>Correcting errors.</p>

Amendments	Current Provisions	Description
<p>However, if there is a public offer for the securities in the active market or unless otherwise provided for by the Financial Supervisory Commission, such limits do not apply.</p> <p>The transaction amount described in this Paragraph shall be calculated pursuant to Article 14.1. <u>8</u>. If the Company has obtained an appraisal report from a professional appraiser or opinions from a certified public accountant in accordance with these Procedures, it shall be exempt from such requirement.</p> <p>(2) A certification issued by a court may substitute for appraisal report or opinions issued by the certified public accountant in acquisition or disposal of assets through judicial foreclosure.</p>	<p>However, if there is a public offer for the securities in the active market or unless otherwise provided for by the Financial Supervisory Commission, such limits do not apply.</p> <p>The transaction amount described in this Paragraph shall be calculated pursuant to Article 14.1. <u>6</u>. If the Company has obtained an appraisal report from a professional appraiser or opinions from a certified public accountant in accordance with these Procedures, it shall be exempt from such requirement.</p> <p>(2) A certification issued by a court may substitute for appraisal report or opinions issued by the certified public accountant in acquisition or disposal of assets through judicial foreclosure.</p>	
<p>Article 9: Procedures for Acquisition or Disposal of Assets from a Related Party</p> <p>1. In acquisition or disposal of assets from a related party, in addition to complying with the requirements set forth in Article 7, the Company shall ensure that the necessary resolutions are adopted, the reasonableness of the transaction terms is appraised, and other relevant matters are carried out in accordance with the following regulations: When judging whether or not a trading counter party is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p>2. Evaluation and Operating Procedures</p> <p>Where the Company intends to acquire or dispose of assets from a related party, the following materials shall be submitted for approval firstly by the Board of Directors and supervisors before any transaction agreement is signed or any payment is made:</p> <p>(1) The purpose, necessity and anticipated benefits of the assets acquired or disposed of.</p> <p>(2) The reason for choosing the related party as a trading counter party.</p>	<p>Article 9: Procedures for Acquisition or Disposal of Assets from a Related Party</p> <p>1. In acquisition or disposal of assets from a related party, in addition to complying with the requirements set forth in Article 7 <u>Procedures for Acquisition or Disposal of Real Property</u>, the Company shall ensure that the necessary resolutions are adopted, the reasonableness of the transaction terms is appraised, and other relevant matters are carried out in accordance with the following regulations: When judging whether or not a trading counter party is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p>2. Evaluation and Operating Procedures</p> <p>Where the Company intends to acquire or dispose of assets from a related party, the following materials shall be submitted for approval firstly by the Board of Directors and supervisors before any transaction agreement is signed or any payment is made:</p> <p>(1) The purpose, necessity and anticipated benefits of the assets acquired or disposed of.</p> <p>(2) The reason for choosing the related party as a trading counter party.</p>	<p>Amendments shall be made in accordance with Paragraph 5 of Article 3 of these Procedures.</p> <p>The wording shall be revised in accordance with Paragraph 5 of Article 3 of these Procedures.</p>

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<p>(3) In acquisition of real property <u>or right to use assets</u> from a related party, the information regarding the reasonableness of the proposed transaction terms shall be evaluated in accordance with the Paragraph 3(1) to (5) of this Article.</p> <p>(4) The date and price at which the related party originally acquired the real property, the original trading counter party, and the relationship among trading counter party, the Company and the related party.</p> <p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or opinions from a certified public accountant where the Company intends to acquire or dispose of real property <u>or right to use assets</u> from a related party, the transactional amount reaches twenty percent (20%) of the Company's paid-in capital or NTD 300 million or more, or where the Company intends to acquire or dispose of any assets other than real property <u>or right to use assets</u> from a related party, the transaction amount reaches 20% of the paid-in capital of the Company, or 10% of the aggregate amount of assets of the Company, or NTD 300 million or more.</p> <p>(7) Restrictive conditions and other important matters agreed upon in the transaction.</p> <p>The transaction amount described in the preceding paragraph shall be calculated pursuant to Article 14.1. 8. However, the calculation shall exclude the amount which has already been submitted for approval by supervisors as well as the Board in accordance with these Procedures.</p> <p>If the Company intends to enter into the</p>	<p>(3) In acquisition of real property from a related party, the information regarding the reasonableness of the proposed transaction terms shall be evaluated in accordance with the Paragraphs 3(1) and (4) of this Article.</p> <p>(4) The date and price at which the related party originally acquired the real property, the original trading counter party, and the relationship among trading counter party, the Company and the related party.</p> <p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6) When the Company acquires or disposes of real property from a related party, if the transaction amount reaches twenty percent (20%) of the Company's paid-in capital or NTD 300 million or more, or when the Company intends to acquire or dispose of any assets other than real property from a related party, if the transaction amount reaches 20% of the paid-in capital of the Company, or 10% of the aggregate amount of assets of the Company, or NTD 300 million or more, an appraisal report from a professional appraiser or opinions from a certified public accountant shall be obtained.</p> <p>(7) Restrictive conditions and other important matters agreed upon in the transaction.</p> <p>The transaction amount described in the preceding paragraph shall be calculated pursuant to Article 14.1. 5. However, the calculation shall exclude the amount which has already been submitted for approval by supervisors as well as the Board in accordance with these Procedures.</p> <p>The transaction amount of the machinery</p>	Correcting errors.

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<p>following transactions with its parent company , subsidiaries, <u>or the subsidiaries in which the Company holds, directly or indirectly, 100% of the issued shares or total capital</u> and the transaction amount is below NTD 30 million, the Company may enter into the transaction first at its own discretion before the transaction is submitted to the Board for approval at the next meeting immediately following the transaction:</p> <p><u>(1) Acquisition or disposal of the equipment or right to use assets for business purpose.</u></p> <p><u>(2) Acquisition or disposal of real property or right to use assets for business purpose.</u></p> <p>3. Evaluation of the Reasonableness of the Transaction Costs</p> <p>(1) In acquisition of real property <u>or right to use assets</u> from a related party, the reasonableness of the transaction costs shall be evaluated by the following means:</p> <p>1. Based upon the related party's transaction price plus necessary interest on funds and the costs to be duly borne by the buyer in accordance with the law. "Necessary interest on funds" is imputed as the weighted average interest rate for the borrowed funds in the year the Company purchases the assets; provided that, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>2. Where the related party has previously created a mortgage on the assets as security for loans from a financial institution, total loan value of the assets shall be appraised by the financial institution; provided that, the actual cumulative amount loaned by the financial institution shall reach seventy percent (70%) or more of the appraised loan value of the assets, and the term of the loans shall be over one year or more. However, this clause shall not apply</p>	<p>equipment for business purpose to be acquired or disposed of by the Company from its parent company or a subsidiary is below NTD 30 million, the Company is authorized by the Board to enter into the transaction first at its own discretion before the transaction is submitted to the Board for approval at the next meeting immediately following the transaction.</p> <p>3. Evaluation of the Reasonableness of the Transaction Costs</p> <p>(1) When the Company acquires real property from a related party, the reasonableness of the transaction costs shall be evaluated by the following means:</p> <p>1. Based upon the related party's transaction price plus necessary interest on funds and the costs to be duly borne by the buyer in accordance with the law. "Necessary interest on funds" is imputed as the weighted average interest rate for the borrowed funds in the year the Company purchases the assets; provided that, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>2. Where the related party has previously created a mortgage on the assets as security for loans from a financial institution, total loan value of the assets shall be appraised by the financial institution; provided that, the actual cumulative amount loaned by the financial institution shall reach seventy percent (70%) or more of the appraised loan value of the assets, and the term of the loans shall be over one year or more. However, this clause shall not apply where the financial institution is a</p>	

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<p>where the financial institution is a related party of one of the trading counter parties.</p> <p>(2) Where land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>(3) In acquiring real property <u>or right to use assets from a related party</u>, the Company shall appraise the cost of the <u>real property or right to use assets</u> in accordance with the provisions of the preceding subparagraphs (1) and (2) of this Article, and shall also engage a certified public accountant to check the appraisal and express specific opinions.</p> <p>(4) Acquisition of real property from a related party, where the costs appraised in accordance with Subparagraphs 3(1) and 3(2) of this Article are both lower than transaction prices, shall be subject to Subparagraph 3(5) of this Article, except that under one of the following circumstances, objective evidence has been submitted, and specific opinions on reasonableness have been obtained from a professional real property appraiser and a certified public accountant:</p> <p>1. Where a related party acquired undeveloped land or leased land for development, it shall submit proof evidencing that it complied with one of the following conditions:</p> <p>(1) Where the undeveloped land is appraised by the means set forth in the preceding Article, and the structures based on the related party's construction costs plus reasonable construction profits are valued in excess of the actual transaction prices. The "reasonable construction profits" shall be based on the average gross operating profit margin of the related party's construction division over the last three years or the</p>	<p>related party of one of the trading counter parties.</p> <p>(2) Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>(3) When acquiring real property from a related party, the Company shall <u>appraise the cost of the real property in accordance with the provisions of the Paragraphs 3(1) and (2) of this Article</u>, and shall also engage a certified public accountant to check the appraisal and express specific opinions.</p> <p>(4) Acquisition of real property from a related party, where the costs appraised in accordance with Subparagraphs 3(1) and 3(2) of this Article are both lower than transaction prices, shall be subject to Subparagraph 3(5) of this Article, except that under one of the following circumstances, objective evidence has been submitted, and specific opinions on reasonableness have been obtained from a professional real property appraiser and a certified public accountant:</p> <p>1. Where a related party acquired undeveloped land or leased land for development, it shall submit proof evidencing that it complied with one of the following conditions:</p> <p>(1) Where the undeveloped land is appraised by the means set forth in the preceding Article, and the structures based on the related party's construction costs plus reasonable construction profits are valued in excess of the actual transaction prices. The "reasonable construction profits" shall be based on the average gross operating profit margin of the related party's construction division over the last three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance,</p>	

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<p>gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2) The cases of <u>transactions</u> completed by unrelated parties within the preceding year involved with other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property marketing <u>or lease</u> practices.</p> <p>2. Where the evidence produced by the Company proves that in the acquisition of real property from a related party <u>or acquisition of the right to use real property by lease</u>, the terms of the transaction are similar to the terms of <u>transactions</u> completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. The cases of <u>transactions</u> completed for neighboring or closely valued parcels of land described in the preceding paragraph in principle refers to the parcels on the same or an adjacent block and within a distance of no more than 500 meters or the parcels close in publicly announced current value; the cases of transactions for similarly sized parcels in principle refers to the <u>transactions</u> completed by unrelated parties for parcels with a land area of no less than fifty percent (50) of the property in the planned transaction; “within one year” refers to one year from the actual date of acquisition of the real property <u>or its right to use assets</u>.</p> <p>(5) When the Company acquires or disposes of real property <u>or right to use</u></p>	<p>whichever is lower.</p> <p>(2) The cases of <u>transactions</u> completed by unrelated parties within the preceding year involved with other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property marketing practices.</p> <p>(3) <u>In accordance with standard property leasing market practices, for other floors of the same property leased by unrelated parties within the preceding year, there shall be similar transaction terms after calculation of reasonable price discrepancies among floors.</u></p> <p>2. The evidence produced by the Company proves that, in the acquisition of real property from a related party, the terms of the transaction are similar to the terms of <u>transactions</u> completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. The cases of <u>transactions</u> completed for neighboring or closely valued parcels of land described in the preceding paragraph in principle refers to the parcels on the same or an adjacent block and within a distance of no more than 500 meters or the parcels close in publicly announced current value; the cases of transactions for similarly sized parcels in principle refers to the <u>transactions</u> completed by unrelated parties for parcels with a land area of no less than fifty percent (50) of the property in the planned transaction; “within one year” refers to one year from the actual date of acquisition of the real property.</p> <p>(5) When the Company acquires real property from a related party, if the costs appraised in accordance with Subparagraphs 3(1) and 3(2) of this</p>	

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<p><u>assets</u> from a related party, if the results appraised in accordance with Subparagraphs 3(1) and 3(2) of this Article are both lower than transaction prices, the following matters shall be addressed: If the Company and the public company that measures the investments in the Company by employing the equity method makes a provision for special surplus reserves in accordance with the preceding paragraph, they shall purchase <u>or lease</u> the assets for which losses from falling prices have been recognized or which have been disposed of <u>or for which the lease has been terminated</u> or which have been appropriately compensated or restored the status quo ante at a high price, or if there is other evidence indicating that the transaction is reasonable, the special surplus reserves may not be used unless with the consent of the competent authorities.</p> <p>1. Special surplus reserves shall be set aside in accordance with the Paragraph 1 of Article 41 of Taiwan's Securities and Exchange Act against the difference between the transaction price and the appraised costs for real property <u>or right to use assets</u>, and may not be distributed or used for capital increase or issuance of bonus shares. If the investor who measures the investments in the Company by employing the equity method is a public company, it shall also make a provision for special surplus reserves pro rata to the shareholding in accordance with Paragraph 1 of Article 41 of Taiwan's Securities and Exchange Act against the amount set aside.</p> <p>2. Supervisors (if any) shall comply with the provisions of the Article 218 of Taiwan's Company Act.</p> <p>3. Actions taken pursuant to <u>preceding</u> Subparagraph 1 and 2 of this Article shall be reported to at a general meeting, and the details of the transaction shall be disclosed in the</p>	<p>Article are both lower than transaction prices, the following matters shall be addressed: If the Company and the public company that measures the investments in the Company by employing the equity method makes a provision for special surplus reserves in accordance with the preceding paragraph, they shall purchase the assets for which losses from falling prices have been recognized or which have been disposed of or which have been appropriately compensated or restored the status quo ante at a high price, or if there is other evidence indicating that the transaction is reasonable, the special surplus reserves may not be used unless with the consent of the competent authorities.</p> <p>1. Special surplus reserves shall be set aside in accordance with the Paragraph 1 of Article 41 of Taiwan's Securities and Exchange Act against the difference between the transaction price and the appraised costs for real property, and may not be distributed or used for capital increase or issuance of bonus shares. If the investor who measures the investments in the Company by employing the equity method is a public company, it shall also make a provision for special surplus reserves pro rata to the shareholding in accordance with Paragraph 1 of Article 41 of Taiwan's Securities and Exchange Act against the amount set aside.</p> <p>2. Supervisors (if any) shall comply with the provisions of the Article 218 of Taiwan's Company Act.</p> <p>3. The actions taken pursuant to <u>Paragraphs 3(5)1</u> and 2 of this Article} shall be reported to at a general meeting, and the details of the transaction shall be disclosed in the annual report and the prospectus.</p> <p>(6) Where the acquisition of real property from a related party by the</p>	

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<p>annual report and the prospectus.</p> <p>(6) If acquisition of real property <u>or right to use assets</u> from a related party falls into one of the following circumstances, the real property shall be acquired in accordance with the provisions of Paragraphs 1 and 2 of this Article in connection with evaluation and operating procedures, and Subparagraphs (1), (2) and (3), Paragraph 3 of this Article in connection with evaluation of the reasonableness of the transaction costs shall not apply:</p> <p>1. The related party acquired the real property <u>or right to use assets</u> through inheritance or as a gift.</p> <p>2. More than five years will have elapsed from the time the related party signed the contract for acquisition of the real property <u>or right to use assets</u> to the signing date for the current transaction.</p> <p>3. The real property is acquired by entering into a joint development contract with the related party.</p> <p><u>4. A public company acquires the real property or its right-to-use assets for business purpose from its parent company, a subsidiary, or a subsidiary in which the company holds, directly or indirectly, 100% of the issued shares or total capital.</u></p> <p>(7) If there is other evidence indicating that the acquisition of real property <u>or right to use assets</u> from a related party by the Company is not consistent with the business practice, such acquisition shall be subject to Subparagraph 3(5) of this Article.</p>	<p>Company falls into one of the following circumstances, the real property shall be acquired in accordance with the provisions of Paragraphs 1 and 2 of this Article in connection with evaluation and operating procedures, and Subparagraphs (1), (2) and (3), Paragraph 3 of this Article in connection with evaluation of the reasonableness of the transaction costs shall not apply:</p> <p>1. The related party acquired the real property through inheritance or as a gift.</p> <p>2. More than five years will have elapsed from the time the related party signed the contract for acquisition of the real property to the signing date for the current transaction.</p> <p>3. The real property is acquired by entering into a joint development contract with the related party.</p> <p>(7) If there is other evidence indicating that the acquisition of real property from a related party by the Company is not consistent with the business practice, such acquisition shall be subject to Subparagraph 3(5) of this Article.</p>	
<p>Article 10: Procedures for Acquisition or Disposal of <u>Intangible Assets or Right to Use Assets or Memberships</u></p> <p>(1) Evaluation and Operating Procedures</p> <p>The acquisition or disposal of <u>intangible assets or right to use assets or memberships</u> shall be subject to the Company's Internal Control Systems for</p>	<p>Article 10: Procedures for Acquisition or Disposal of <u>Memberships or Intangible Assets</u></p> <p>(1) Evaluation and Operating Procedures</p> <p>The acquisition or disposal of <u>memberships or intangible assets</u> shall be subject to the Company's Internal</p>	<p>The wording shall be revised in accordance with Paragraph 5 of Article 3 of these Procedures.</p>

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<p>Procedures of Fixed Asset Cycle.</p> <p>(2) Procedures for Determination of Transaction Terms and Authorized Limits</p> <p>1. When the Company acquires or disposes of a membership, the terms and prices for the transaction shall be determined based on the fair market value of such membership. An analysis report on such terms and prices for the transaction shall be produced for approval of the general manager. Such transaction shall be adopted by the Board at the next meeting immediately following the transaction where the value of such membership is NTD 3 million or less; where the value of such membership is NTD 3 million, the transaction shall not be conducted unless being adopted by the Board by way of resolution.</p> <p>2. When the Company acquires or disposes of intangible assets <u>or right to use assets</u>, the terms and prices for the transaction shall be determined with reference to expert evaluation reports or the fair market value. An analysis report on such terms and prices for the transaction shall be produced for approval of the chairman of the Board. Such transaction shall be adopted by the Board at the next meeting immediately following the transaction where the value of such intangible assets is NTD 20 million or less; where the value of such intangible assets is NTD 20 million, the transaction shall not be conducted unless being adopted by the Board by way of resolution.</p> <p>(3) Execution</p> <p>The user department and the financial or administrative department shall be responsible for acquisition or disposal of <u>intangible assets or right to use assets or memberships</u>, provided that the acquisition or disposal thereof is approved within the scope of authorization as set forth in the</p>	<p>Control Systems for Procedures of Fixed Asset Cycle.</p> <p>(2) Procedures for Determination of Transaction Terms and Authorized Limits</p> <p>1. When the Company acquires or disposes of a membership, the terms and prices for the transaction shall be determined based on the fair market value of such membership. An analysis report on such terms and prices for the transaction shall be produced for approval of the general manager. Such transaction shall be adopted by the Board at the next meeting immediately following the transaction where the value of such membership is NTD 3 million or less; where the value of such membership is NTD 3 million, the transaction shall not be conducted unless being adopted by the Board by way of resolution.</p> <p>2. When the Company acquires or disposes of <u>intangible assets</u>, the terms and prices for the transaction shall be determined with reference to expert evaluation reports or the fair market value. An analysis report on such terms and prices for the transaction shall be produced for approval of the chairman of the Board. Such transaction shall be adopted by the Board at the next meeting immediately following the transaction where the value of such intangible assets is NTD 20 million or less; where the value of such intangible assets is NTD 20 million, the transaction shall not be conducted unless being adopted by the Board by way of resolution.</p> <p>(3) Execution</p> <p>The user department and the financial or administrative department shall be responsible for acquisition or disposal of <u>memberships or intangible assets</u>, provided that the acquisition or disposal thereof is approved within the</p>	<p>Correcting errors.</p>

Amendments	Current Provisions	Description
<p>preceding paragraph.</p> <p>(4) Expert Evaluation Report on <u>Intangible Assets or Right to Use Assets or Memberships</u></p> <p>1. An expert shall be engaged to issue an evaluation report where the transaction amount of the intangible assets <u>or right to use assets</u> acquired or disposed of by the Company reaches NTD 20 million or more.</p> <p>2. Whenever the Company acquires or disposes of <u>intangible assets or right to use assets or memberships</u>, if the transaction amount reaches twenty percent (20%) of the Company's paid in capital or NTD 300 million, except for transacting with a <u>domestic</u> government agency, a certified public accountant shall, prior to the Date of Occurrence, be engaged to express opinions in respect of the reasonableness of the transaction price in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>The transaction amount described in this Paragraph shall be calculated pursuant to Article 14.1. <u>8</u>. If the Company has obtained an appraisal report from a professional appraiser or opinions from a certified public accountant in accordance with these Procedures, it shall be exempt from such requirement.</p>	<p>scope of authorization as set forth in the preceding paragraph.</p> <p>(4) Expert Evaluation Report on <u>Memberships or Intangible Assets</u></p> <p>1. An expert shall be engaged to issue an evaluation report where the transaction amount of the <u>intangible assets</u> acquired or disposed of by the Company reaches NTD 20 million or more.</p> <p>2. Whenever the Company acquires or disposes of <u>memberships or intangible assets</u>, if the transaction amount reaches twenty percent (20%) of the Company's paid in capital or NTD 300 million, except for transacting with a government agency, a certified public accountant shall, prior to the Date of Occurrence, be engaged to express opinions in respect of the reasonableness of the transaction price in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>The transaction amount described in this Paragraph shall be calculated pursuant to Article 14.1. <u>6</u>. If the Company has obtained an appraisal report from a professional appraiser or opinions from a certified public accountant in accordance with these Procedures, it shall be exempt from such requirement.</p>	
<p>Article 12: Procedures for Acquisition or Disposal of Derivative Products</p> <p>3, Internal Audit Systems</p> <p>(1) Internal auditors shall evaluate the appropriateness of internal control over derivative product transactions on a regular basis, and check the compliance of the procedures for disposal of derivative products by the trading department, and analyze the trading cycle on a monthly basis to prepare an audit report. Should there be any material breach found, a written notice shall be sent to supervisors <u>and</u></p>	<p>Article 12: Procedures for Acquisition or Disposal of Derivative Products</p> <p>3, Internal Audit Systems</p> <p>(1) Internal auditors shall evaluate the appropriateness of internal control over derivative product transactions on a regular basis, and check the compliance of the procedures for disposal of derivative products by the trading department, and analyze the trading cycle on a monthly basis to prepare an audit report. Should there be any material breach found, a written notice shall be sent to supervisors.</p>	

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<p><u>independent directors.</u></p> <p>4, Periodic Evaluation (1): Omitted. (2) The derivative product transactions shall be assessed at least once a week, but the transactions conducted for business purpose aimed at mitigation of risks shall be assessed at least twice a month, with the evaluation report sent to the senior executive authorized by the Board of Directors.</p>	<p>4, Periodic Evaluation (1): Omitted. (2) The derivative product transactions shall be assessed at least once a week, but the transactions conducted for business purpose aimed at mitigation of risks shall be assessed at least twice a month, with the evaluation report <u>sent</u> to the senior executive authorized by the Board of Directors.</p>	
<p>Article 14: Procedures for Disclosure of Information</p> <p>1. Matters to be Announced or Reported and the Standards for Announcement and Reporting</p> <p>(6) When the Company acquires or disposes of real property <u>or right to use assets</u> from a related party, or when the Company intends to acquire or dispose of any assets other than real property <u>or right to use assets</u> from a related party, the transaction amount reaches 20% of the paid-in capital of the Company, or 10% of the aggregate amount of assets of the Company, or NTD 300 million or more. However, trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities, investment and trust enterprises is excluded.</p> <p>(2) Merger, spin-off, acquisition, or transfer of shares.</p> <p>(3) Losses from derivatives trading reach the limits on aggregate losses or losses of individual contracts set out in the relevant procedures adopted by the Company.</p> <p>(4) The trading counter party of the equipment <u>or right to use assets</u> to be acquired or disposed of for business purpose is not a related party, and the transaction amount complies with one of the following provisions:</p>	<p>Article 14: Procedures for Disclosure of Information</p> <p>1. Matters to be Announced or Reported and the Standards for Announcement and Reporting</p> <p>(1) When the Company acquires or disposes of real property from a related party, or when the Company intends to acquire or dispose of any assets other than real property from a related party, the transaction amount reaches 20% of the paid-in capital of the Company, or 10% of the aggregate amount of assets of the Company, or NTD 300 million or more. However, trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities, investment and trust enterprises is excluded.</p> <p>(2) Merger, spin-off, acquisition, or transfer of shares.</p> <p>(3) Losses from derivatives trading reach the limits on aggregate losses or losses of individual contracts set out in the relevant procedures adopted by the Company.</p> <p>(4) Where the <u>type of assets</u> acquired or disposed of is equipment for business purpose, the trading counter party is not a related party, and the transaction amount complies with one of the following provisions:</p> <p>1. A public company whose paid in</p>	

Amendments	Current Provisions	Description
<p>1. A public company whose paid in capital is below NTD 10 billion, and the transaction amount reaches NTD 500 million or more;</p> <p>2. A public company whose paid in capital is NTD 10 billion or more, and the transaction amount reaches NTD 1 billion or more.</p> <p>(5) Where the Company is engaged in the construction business, the trading counter party of the real property <u>or right to use assets</u> acquired or disposed of for construction purpose is not a related party, and the transaction amount is less than NTD 500 Million; <u>the paid in capital is more than NTD 10 billion, the trading counter party of the real property disposed of for construction is not a related party, and the transaction amount is less than NTD 1 billion.</u></p> <p>(6) Where real property is acquired through an arrangement for commissioned construction on the self-owned land or rented land, joint construction and allocation of housing units, joint construction and allocation of ownership, or joint construction and separate sales, <u>the trading counter party is not a related party</u>, the amount of funds the Company expects to invest in the transaction is less than NTD 500 million.</p> <p>(7) In a transaction of assets, or disposal of receivables by a financial institution or investments made in Mainland China other than any of those referred to in the preceding six subparagraphs, the transaction amount reaches twenty percent (20%) of the Company's paid in capital or NTD 300 million. Provided that, this limitation shall not apply to the following circumstances:</p> <p>1. Trading of <u>domestic</u> government bonds.</p> <p>2. The Company is engaged in investment business, securities trading on securities exchanges or over-the-counter markets, or</p>	<p>capital is below NTD 10 billion, and the transaction amount reaches NTD 500 million or more;</p> <p>2. A public company whose paid in capital is NTD 10 billion or more, and the transaction amount reaches NTD 1 billion or more.</p> <p>(5) Where the Company is engaged in the construction business, the trading counter party of the real property acquired or disposed of for construction purpose is not a related party, and the transaction amount is less than NTD 500 Million.</p> <p>(6) Where real property is acquired through an arrangement for commissioned construction on the self-owned land or rented land, joint construction and allocation of housing units, joint construction and allocation of ownership, or joint construction and separate sales, the amount of funds the Company expects to invest in the transaction is less than NTD 500 million.</p> <p>(7) In a transaction of assets, or disposal of receivables by a financial institution or investments made in Mainland China other than any of those referred to in the preceding six subparagraphs, the transaction amount reaches twenty percent (20%) of the Company's paid in capital or NTD 300 million. Provided that, this limitation shall not apply to the following circumstances:</p> <p>1. Trading of Government Bonds.</p> <p>2. The Company is engaged in investment business, securities trading on securities exchanges or over-the-counter markets <u>at home and abroad</u>, or subscription, offering or issuance of ordinary corporate bonds and general financial bonds not involving equity in the <u>domestic</u> primary market,</p>	

Amendments	Current Provisions	Description
<p>subscription, offering or issuance of ordinary corporate bonds and general financial bonds not involving equity <u>(excluding subordinated financial bonds) in the primary market, or subscription or repurchase of securities, investment and trust funds or futures trust funds</u>, or as a emerging stock company, a securities dealer instructs or recommends another securities dealer to subscribe securities in accordance with the regulations of Taipei Exchange.</p> <p>3. Trading of bonds under repurchase/resale agreements, or subscription or redemption of the money market funds issued by domestic securities, investment and trust enterprises.</p> <p>(8) The amount of transactions described above shall be calculated as follows. “Within one year” refers to one year from the actual date of the transaction. The amount declared in accordance with regulations shall be excluded from calculation.</p> <p>1. The amount of any individual transaction.</p> <p>2. The cumulative transaction amount of the same type of the assets acquired from or disposed of with the same trading counter party within one year.</p> <p>3. The cumulative transaction amount of the real property <u>or right to use assets</u> acquired or disposed of (cumulative amount, respectively) for the same development project within one year.</p> <p>4. The cumulative transaction amount of the same securities acquired or disposed of (cumulative amount, respectively) within one year.</p> <p>2. Public Disclosure Timeframe</p> <p>When the Company acquires or disposes of assets, if one of the foregoing condition has been met and the</p>	<p>or a securities dealer instructs or recommends another securities dealer to subscribe securities in accordance with the regulations of the Taipei Exchange.</p> <p>3. Trading of bonds under repurchase/resale agreements, or subscription or redemption of the money market funds issued by domestic securities, investment and trust enterprises.</p> <p><u>4. Where the type of assets acquired or disposed of is equipment for business purpose, the trading counter party is not a related party, and the transaction amount is less than NTD 500 million.</u></p> <p>(8) The amount of transactions described above shall be calculated as follows. “Within one year” refers to one year from the actual date of the transaction. The amount declared in accordance with regulations shall be excluded from calculation.</p> <p>1. The amount of any individual transaction.</p> <p>2. The cumulative transaction amount of the same type of the assets acquired from or disposed of with the same trading counter party within one year.</p> <p>3. The cumulative transaction amount of the real property acquired or disposed of (cumulative amount, respectively) for the same development project within one year.</p> <p>4. The cumulative transaction amount of the same securities acquired or disposed of (cumulative amount, respectively) within one year.</p> <p>2. Public Disclosure Timeframe</p> <p>When the Company acquires or disposes of assets, if one of the foregoing condition has been met and the transaction amount reaches the public announcement threshold, a disclosure report shall be made in accordance with the Procedures within two days from the day of occurrence of the fact:</p>	

Amendments	Current Provisions	Description
<p>transaction amount reaches the public announcement threshold, a disclosure report shall be made in accordance with the Procedures within two days from the day of occurrence of the fact:</p> <p>3. Procedures for Public Disclosure (Omitted)</p>	<p>3. Procedures for Public Disclosure (Omitted)</p>	
<p>Article 15: The subsidiaries of the Company shall be subject to the following provisions:</p> <p>IV. For purposes of determining whether or not disclosure is required from a subsidiary, 「 <u>paid-in capital or aggregate amount of assets</u> 」 refers to the paid-in capital or the aggregate amount of assets of the Company (parent company).</p>	<p>Article 15: The subsidiaries of the Company shall be subject to the following provisions:</p> <p>IV. For purposes of determining whether or not disclosure is required from a subsidiary, 「 20% of the paid-in capital of the Company, or 10% of the aggregate amount of assets 」 shall be based on the paid-in capital or the aggregate amount of assets of the Company (parent company).</p>	

Appendix VIII Schedule of Positions for Directors

Director	Name of another company he/she serves and position he/she holds in another company	
Aica Kogyo Company, Limited Representative: Dodo So	Aica Kogyo Co., Ltd.	Director Executive Director
Aica Kogyo Company, Limited Representative: Omura Nobuyuki	Aica Kogyo Co., Ltd.	Director Managing Director
	Aica Asia Pacific Holding Pet.Ltd.	Director
Aica Kogyo Company, Limited Representative: Ebihara Kenji	Aica Kogyo Co., Ltd.	Director Managing Director

Appendix IX Shareholding by Directors and Supervisors

EVERMORE CHEMICAL INDUSTRY CO., LTD.
Shareholding by Directors and Supervisors Record Date: April 29, 2019

Title	Name	Number of shares held	
		Number of shares	% of shareholding
Chairman	Ho Wen Chieh	6,973,532	7.02%
Independent director	Chen Chao Hui	0	0.00%
Independent director	Higashiyama Mikio	0	0.00%
Director	Aica Kogyo Company, Limited Representative: Dodo So	49,793,388	50.10%
Director	Aica Kogyo Company, Limited Representative: Ebihara Kenji		
Director	Aica Kogyo Company, Limited Representative: Omura Nobuyuki		
Director	Baojian Enterprise Co., Ltd. Representative: Tsai Nai Yung	3,352,771	3.37%
Number of shares held by all the directors		60,119,691	60.49%
Supervisors	Liu Wei Tung	2,255,412	2.27%
Supervisors	Lu Hui Pin	2,196,193	2.21%
Supervisors	Su Yi Hsiu	0	0.00%
Number of shares held by all the supervisors		4,451,605	4.48%

- I. The paid-in capital of the Company is NTD 993,880,000, and 99,388,000 shares have been issued.
- II. In accordance with Article 26 of Taiwan's Securities and Exchange Act, and Article 2(1)(2) of and Article 2(2) of the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, since the Company has elected two (2) independent directors, the ratio of shareholding by the directors (other than such independent directors) and supervisors shall be reduced to 80%. The minimum number of shares to be held by all the directors of the Company shall be 7,951,040 shares, and the minimum number of shares held by all the supervisors shall be 795,104 shares. The number of shares held by the individual and all directors and supervisors on the shareholder register by the deadline for transfer of shares at the general meeting has been shown in the preceding table, and has met the standards for quota share set out in Article 26 of Taiwan's Securities and Exchange Act.

EVERMORE CHEMICAL INDUSTRY CO., LTD.

Procedures for Fund Lending and Endorsement & Guarantee

June 26, 2018

Chapter I General Rules

Article 1 These Procedures are promulgated pursuant to Article 36 of Taiwan's Securities and Exchange Act.

Article 2 The Company shall lend funds to others, or provide endorsements or guarantees for others in accordance with these Procedures. To the extent otherwise specified by other regulations, the Company shall also comply with such regulations.

Article 3 In accordance with Article 15 of the Taiwan's Company Act, the Company shall not lend funds to any of its shareholders or any other person except under the following circumstances:

1. Where an inter-company or inter-firm business transaction calls for a loan arrangement; or
2. Where an inter-company or inter-firm short-term (a year or a business cycle, whichever is longer) financing facility is necessary, Provided that such financing amount (the cumulative balance of short-term financing) shall not exceed 40% of the Company's net worth.

The restriction in Subparagraph 3.1.2 shall not apply to inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares.

Article 4 The endorsements or guarantees referred to in these Procedures shall mean the following matters:

- I. Financing endorsement & guarantee, including:
 - (1) Bill discount financing.
 - (2) Endorsements & guarantees provided to other companies for financing.
 - (3) Separate bills drawn by the Company to non-financial undertakings as guarantee against financing.
- II. Endorsement & guarantee against customs duty refers to the endorsement or guarantee provided by the Company or another company for the matters concerning customs duty.
- III. Other endorsements & guarantees refer to the endorsements or guarantees other than those described in the preceding paragraphs.

The company shall have pledge and mortgage on movable property or real property as guarantee against the funds lent to other companies in accordance with these Procedures.

Article 5 The Company needs to provide endorsements & guarantees in favor of the following companies:

- I. A company who has business contacts with the Company;
- II. A company in which the Company holds, directly or indirectly, 50% of the voting shares;
- III. A company that holds, directly or indirectly, 50% of the voting shares in the Company;

The Company shall endorse a company in which the Company holds, directly or indirectly, 90% or more of the voting shares at an amount no more than 10% of the Company's net worth. The restriction shall not apply to the endorsements & guarantees between the companies in which the Company holds, directly or indirectly, 100% of the voting shares.

The mutual guarantees under contracts between peers or joint builders for the purpose of the contracted works, or the endorsements & guarantees provided by all the shareholders who have contributed capital based on the ratio of shareholding to the invested company for joint venture are not subject to the provisions of the preceding paragraphs.

The capital contribution referred to in the preceding paragraph refers to the capital contribution directly made by the Company or through a company in which the Company holds, directly or indirectly, 100% of the voting

shares.

Article 6 A "subsidiary" and "parent company" as referred to in the Procedures shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The Company's financial reports shall be prepared in accordance with the International Financial Reporting Standards. "Net worth" as referred to in the Procedures shall be equity attributable to owners of the parent company as shown in the balance sheets set forth in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 7 The term "Announcement and Report" as used in these Procedures means the process of entering data to the information reporting website designated by the Financial Supervisory Commission.

The "Date of Occurrence" as referred to herein shall mean the date of contract signing, date of payment, date of a resolution adopted by the Board of Directors, or other date that can confirm the transaction counterparty and transaction amount; whichever date is earlier.

Chapter II Procedures

Section I Lending Funds to Others

Article 8 Procedures for Lending Funds to Others

I. Reasons and Necessity:

- (1) Business dealings: Loans are granted to those who have been in business dealings with the Company for more than one year without records of refunds.
- (2) Short-term financing: Loans are granted to a subsidiary in which the Company holds more than 50% of shares.

II. Aggregate Amount of Loans:

- (1) Business dealings: The accumulated amount of such loans shall not exceed the monthly average amount of the business transactions (or of purchase prices or selling prices for goods, whichever is higher) in the past year.
- (2) Short-term financing: The accumulated amount of such loans shall not exceed 20% of the net worth of the Company.
- (3) The total credit line for both shall not exceed 40% of the net worth of the Company.

III. Maximum Amount Permitted to a Single Borrower:

- (1) Business dealings: The maximum amount of loans to a customer who have business dealings with the Company shall not exceed the monthly average amount of business transactions with the customer in the past year.
- (2) Short-term financing: The maximum amount of loans to a customer for short-term financing shall not exceed 10% of the net worth of the Company.

IV. Duration of Loans and Calculation of Interest

- (1) Financing period: no more than one year from the date when loans are granted.
- (2) Calculation of interest: The interest on loans shall be calculated at a rate no less than the interest rate for short-term borrowings from banks who have business dealings with the Company, and paid on a monthly basis.

V. Procedures for Lending of Funds

(1) Credit Rating:

1. If a borrower applies for loans from the Company, the person in charge shall first make contact with the borrower to understand the purpose of funds and the recent business and financial condition to assess the necessity and rationality of the fund lending, and prepare the records of

negotiation if feasible.

2. In the case of a new borrower, the borrower shall provide basic and financial information necessary for the credit investigation. In the case of a continuous borrower, the credit investigation shall be conducted once a year in principle. If it is a major case, the credit investigation shall be conducted once every six months in light of actual needs.
3. If a borrower is in good financial condition and the annual financial statements have been filed with a certified public accountant to apply for the financing certification, the investigation report that has been in effect for more than one year but less than two years shall be sequentially adopted, and the lending of loans shall be reported with reference to the report on check of the financing certification issued by the certified public accountant.
4. When carrying out the credit investigation, the person in charge shall fill out application forms after the above-mentioned matters are ascertained.
5. After the credit investigation and evaluation, if no loans may be granted to the borrower due to poor credit rating, the person in charge shall give a reply to the borrower with good cause for refusal as soon as possible after a decision is made.
6. If the results of the credit investigation, credit ratings and the purpose of borrowing satisfy the requirements, the person in charge shall fill out a credit report and express opinions, draft the lending conditions, and submit them to the general manager and the Board of Directors level by level for approval.

(2) Preservation:

1. After loans are approved, the person in charge shall give a notice to the borrower in writing or via telephone as soon as possible, detailing the borrowing conditions of the Company, including the credit line, term, interest rate, collateral and guarantor, and ask the borrower to sign the loan contract within the time limit, have (mortgage) pledge on loans, and go through guarantee formalities before funds are lent.
2. The evidence of debt and borrowing conditions shall be prepared by the person in charge, reviewed by the manager and sent to the legal counsel for approval before the loan contract is signed.
3. The contents of the evidence of debt shall be in consistent with the approved borrowing conditions. After the borrower and the joint guarantor have signed the evidence of debt, the person in charge shall complete the formalities for cross collateral.
4. To ensure that the borrower will repay the loans within the agreed time limit, the Company may require the borrower to issue a promissory note with a face value equivalent to the total amount of loans. The promissory note is issued for the benefit of the Company, without expiration date. It is not in the form of an unclaimed letter, may be extended for one year, and shall be returned by the Company after the loans are paid off.
5. If collateral for loans is required, the borrower shall provide the collateral and go through the procedures for pledge or mortgage to guarantee against the creditor's rights of the Company.
6. Except for land and securities, collateral shall be insured against fire. Ships and vehicles shall be insured against all risk. The insurance amount shall be no less than the collateral value, with the Company marked as the beneficiary on the insurance policy. The name, quantity, and storage location of the subject matter, insurance conditions and endorsement indicated on the policy shall be in accordance with the lending conditions originally approved by the Company; if no house number of a building is fixed at the time of development, the address of the building shall be determined based on the place where it is located and the parcel number, moreover, the borrower shall be notified to continue to insure before the expiration of the insurance term.

7. No loans may be granted unless the lending of funds has been approved, the borrower has signed the loan contract and sent the promissory note on file (or certificate of repayment in installments), the mortgage (pledge) on collateral is registered and all the formalities are verified as qualified.
8. When funds are required for investments made by the subsidiary who has business dealings with the Company, the Company needs to draw up the terms of the evidence of debt, and grant loans to such subsidiary after it signs and seals the evidence of debt, and approval process is completed.

(3) Scope of Authorization

The lending of funds to others by the Company shall be approved by the Board of Directors by way of resolution, and no other person may be authorized to make such decision.

The fund lending between the Company and its subsidiaries, or between the subsidiaries of the Company shall be submitted to the Board of Directors for resolution. The Chairman shall be authorized to grant loans at such credit limit as determined by the Board of Directors within a certain period of time no less than one year by installments or recycle the loans.

For a certain credit limit referred to in the preceding paragraph, the authorized credit line for the loans granted by the Company or its subsidiary to a single enterprise shall not exceed 10 percent of the enterprise's net worth as stated in its latest financial statement, except as permitted by the provisions of Paragraph 2, Article 3 of these Procedures.

(4) Follow-up Control Measures:

1. For the loans to be repaid by the borrower when they fall due, the interest payable shall be charged first, only after the interest together with the principal are repaid, may the promissory note, evidence of debt and other certificates of creditor's rights be canceled and returned to the borrower. If the borrower applies for cancellation of the mortgage, the Company shall first ascertain the balance of the loans before deciding whether or not to approve the application.
2. After the loans are granted, the person in charge of the lending shall sort out the evidence of debt, promissory note and other certificates of creditor's rights, as well as the collateral certificates, insurance policies, and communications in order, and put them into custody, indicating the contents of the storage and names of customers before submitting them to supervisors for inspection. If the documents are determined as correct upon inspection, they shall be sealed, and affixed with cross-page seals by the undertaker and supervisor, and kept in storage after being registered as the articles in custody.
3. The Company shall establish a memorandum book for the lending of funds, and keep records of the borrowers, amount of loans, the date when loans are approved by the Board of Directors, the date of lending and the matters to be prudently assessed in details for future reference, have a specially-assigned person to keep accounts so as to keep track of the interest payment, and the date of repayment as agreed upon, and keep a close watch on the use of funds by, solvency and credit status of the borrowers.

- (5) Overdue debts: once loans become overdue, in addition to claim for compensation, the Company will commence the statutory claim procedure against the collateral or guarantor provided by the borrower within one month (if necessary).

- VI. Procedures for Public Disclosure: The Company shall transmit the information about the funds lent to others in the last month to the information reporting website designated by the Financial Supervisory Commission in the prescribed format and within the specified period of time.
- VII. The lending of funds to the subsidiaries invested by the Company and to others for business shall be

subject to the operating procedures.

VIII. Other matters that shall be dealt with in accordance with the regulations of the competent authorities.

Section II Endorsements & Guarantees for Others

Article 9 Procedures for Endorsements & Guarantees:

- I. Endorsements & Guarantees for Business dealings: The accumulated amount of endorsements & guarantees shall not exceed the average quarterly amount of the business transactions (or of purchase prices or selling prices for goods, whichever is higher) in the past year.
- II. Liability for Endorsements & Guarantees:
 - (I) The Company's aggregate maximum of liability for endorsements & guarantees to a guaranteed company shall be limited to 10% of the net worth of the Company, and to all the guaranteed companies is limited to 50% of the net worth of the Company.
 - (II) The Company or its subsidiary's aggregate maximum of liability for endorsements & guarantees to all the guaranteed companies shall be limited to 100% of the net worth of the Company, and to each guaranteed company is limited to 50% of the net worth of the Company.
- III. Procedures for Provision of Endorsements & Guarantees
 - (I) Before making endorsements & guarantees, the Company shall evaluate the risks from endorsements & guarantees and keep evaluation records. The evaluation includes the necessity and reasonableness thereof, or if the endorsements & guarantees are provided for business dealings, whether or not the amount of the endorsements & guarantees is consistent with business transactions, the impact of the endorsements & guarantees on the Company's operational risks, financial position and shareholders' equity, and whether or not collateral is required and the value of the collateral. No endorsements & guarantees shall be provided unless approved by the resolution of the Board of Directors. If the Company deems it necessary, the chairman may be first authorized by the Board of Directors to make endorsements & guarantees at a certain amount before reports thereon are submitted to the Board of Directors for ratification, and the transaction and related matters are reported at a general meeting for future reference. If it is necessary to make endorsements & guarantees at a amount higher than the limit required by the Procedures for Endorsements & Guarantees for business needs, the endorsements & guarantees shall be approved at the general meeting after more than half of the directors provide joint guarantee against the losses from the overrun limit with the consent of the Board, and the Procedures for Endorsements & Guarantees are amended; if the overrun limit is disapproved at the general meeting, the Company shall plan to eliminate the overrun limit within a certain period of time.
 - (II) The common seal registered with the Ministry of Economic Affairs upon application by the Company may be used as a special seal for endorsements & guarantees which shall be kept by the dedicated person approved by the Board of Directors. The special seal shall only be affixed with the notes issued by the Company according to the procedures.

If a guarantee is provided to a foreign company, the letter of guarantee issued by the Company shall be signed by the person authorized by the Board of Directors.
 - (III) The Company shall establish a memorandum book for endorsements & guarantees, and keep records of the entities to which endorsements & guarantees are provided, amount, the date when endorsements & guarantees are adopted by the Board of Directors or approved by the chairman, the effective date for endorsements & guarantees, and the matters to be prudently evaluated in accordance with the first paragraph of the preceding article.
 - (IV) For cancellation of endorsements & guarantees, the financial department shall submit a report on names of the entities to which endorsements & guarantees are provided, the promised and guaranteed

matters, amount, the conditions and date for discharge of the responsibilities for endorsements & guarantees to the chairman for review; the financial department shall put the guarantee items on file or enter the same into the register for endorsements & guarantees according to their nature, and announce and declare the information about endorsements & guarantees on a monthly basis within the time limit prescribed by the Securities and Futures Commission of the Ministry of Finance.

- (V) The Company evaluates and recognizes the contingent losses from the endorsements & guarantees, appropriately discloses the information about the endorsements & guarantees in the financial statements, and provides the certified public accountants with the relevant information necessary for them to adopt verification procedures and issue a proper verification report.
- (VI) If the Company needs the guarantee from or mutual guarantee with an enterprise, the full-time lawyer or the financial department shall draw up the letter of guarantee, which shall be issued after being approved by the chairman, put on file and followed up.
- (VII) The endorsements & guarantees made by the subsidiaries invested by the Company shall be subject to the operating procedures.

The endorsements & guarantees between the subsidiaries in which the Company holds, directly or indirectly, 90% of the voting shares are not permitted unless reported to the Company's Board of Directors for resolution at an amount no more than 10% of the Company's net worth. The restriction shall not apply to the endorsements & guarantees between the companies in which the Company holds, directly or indirectly, 100% of the voting shares.

- (VIII) If a guarantee is provided to a foreign company, a letter of guarantee issued by the Company shall be signed by the person authorized by the Board of Directors.

IV. Scope of Authorization:

- (I) The endorsements & guarantees for others made by the Company shall be approved by the Board of Directors by way of resolution, and no other person may be authorized to make such decision.
- (II) If it is necessary for the Company to make endorsements & guarantees for business needs at a amount higher than the limit required by the Procedures for Endorsements & Guarantees and in consistent with the conditions set forth in the Procedures for Endorsements & Guarantees, the endorsements & guarantees shall be approved at the general meeting after more than half of the directors provide joint guarantee against the losses from the overrun limit with the consent of the Board, and the Procedures for Endorsements & Guarantees are amended; if the overrun limit is disapproved at the general meeting, the Company shall plan to eliminate the overrun limit within a certain period of time.

V. Follow-up Control Measures:

When the Company provides endorsements & guarantees for a subsidiary whose net worth is less than one-half of its paid-in capital, the financial department of the Company shall keep track of the financial position, business conditions and credit ratings of the endorsee & guaranteed company on a quarterly basis. In case of any doubt as to major changes, it shall promptly report to the chairman, and properly handle such major changes as directed.

If the shares of a subsidiary has no face value or the face value per share is less than NT\$10, the amount of paid-in capital calculated according to the preceding paragraph shall be the sum of the capital stock plus capital reserves, minus share premium.

- VI. Procedures for Public Disclosure: The Company shall transmit the information about the endorsements & guarantees in the last month to the information reporting website designated by the Financial Supervisory Commission in the prescribed format and within the specified period of time.
- VII. Other matters that shall be dealt with in accordance with the regulations of the competent authorities.

Chapter III Public Disclosure

Section I Lending Funds to Others

Article 10 The Company shall announce and declare the balance of the funds lent by it and its subsidiaries in the preceding month by the 10th day of each month.

Article 11 If the lending of funds by the Company falls into any of the following circumstances, the Company shall announce and report such event within two days commencing immediately from the date of occurrence of the fact:

- I. The balance of the funds lent to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
- II. The balance of the funds lent by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.
- III. The amount of additional funds lent by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.

If it is necessary for the Company's subsidiary which is not a Taiwan public company to announce or report such event as listed in the third paragraph described above, the Company will follow the requirement on behalf of its subsidiary.

Article 12 The Company shall evaluate the status of fund lending and make a provision for adequate allowance for bad debts, properly disclose the relevant information in the financial statements, and provide the certified public accountants with the relevant information necessary for them to carry out verification procedures.

Section II Endorsements & Guarantees for Others

Article 13 The Company shall announce and declare the balance of the endorsement & guarantee provided by it and its subsidiaries in the preceding month by the 10th day of each month.

Article 14 If the endorsement & guarantee provided by the Company falls into any of the following circumstances, the Company shall announce and report such event within two days commencing immediately from the date of occurrence of the fact:

1. The balance of the endorsement & guarantee provided by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.
2. The balance of the endorsement & guarantee provided by the Company and its subsidiaries to a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
3. The balance of the endorsement & guarantee provided by the Company and its subsidiaries to a single enterprise reaches NT\$ 10 million, and the aggregate of the endorsement & guarantee, long-term investments and the balance of loans from the Company and its subsidiaries to such single enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.
4. The amount of new endorsement & guarantee provided by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.

If it is necessary for the Company's subsidiary which is not a Taiwan public company to announce or report such event as listed in the preceding paragraph, the Company will follow the requirement on behalf of its subsidiary.

Article 15 The Company shall evaluate or recognize the contingent losses from the endorsements & guarantees, appropriately disclose the information about the endorsements & guarantees in the financial statements, and provide the certified public accountants with the relevant information for them to adopt the necessary

verification procedures.

Chapter Supplementary Provisions

Article 16 Internal auditors of the Company shall at least perform auditing on the Procedures for Fund Lending and Endorsement & Guarantee and the implementation of the Procedures on a quarterly basis, and produce written auditing records. Should there be any violation found, a written report is needed to notify supervisors. If the balance of loans exceeds the limit, the entities to which endorsement & guarantee are provided no longer meet the requirements of these Procedures or the amount exceeds the limit when there are changes in the circumstances, an improvement plan shall be developed. The relevant improvement plan shall also be submitted to supervisors, and the improvement shall be made according to the schedule.

Article 17 If a subsidiary of the Company intends to lend funds to others, or provide endorsements or guarantees for others, it shall be instructed by the Company to draw up the Procedures for Fund Lending and Endorsement & Guarantee in accordance with these Procedures.

Article 18 If a subsidiary of the Company is not a public company, the Company will announce and declare the information on the funds lent to others, or endorsements or guarantees made for others by the subsidiary on behalf of it.

Article 19 If a manager or undertaker of the Company violates these Procedures, report on and assessment of such violation shall be carried out depending on whether or not such violation is intentional, if there are flaws of administrative act or losses caused to the Company, and with reference to the personnel management regulations and Employee Handbook of the Company. Such manager or undertaker shall be subject to punishment depending on the seriousness of the case.

Article 20 These Procedures shall be submitted to supervisors at the general meeting for approval after being adopted by the Board of Directors. If any director raises an objection evidenced by records or a written statement, the Company shall submit the objection to the supervisors for discussion at the general meeting. Such requirements also apply to the amendments hereto.

In addition, if the Company has appointed independent directors, when the Procedures for Fund Lending and Endorsement & Guarantee are submitted to the Board of Directors for discussions, or the Company lends funds to others or makes endorsements & guarantees for others in accordance with the preceding paragraph, the opinions expressed by the independent directors shall be taken into full consideration, and the specific opinions from such independent directors for consent or objection, and reasons for objection shall be stated in the minutes of the meeting of the Board.

EVERMORE CHEMICAL INDUSTRY CO., LTD.

Procedures for Acquisition or Disposal of Assets

March 20, 2017

Article I : Purpose

These Procedures are developed with a view to protecting assets and making information publicly available.

Article 2: Legal Basis

These Procedures are established pursuant to Article 36 of Taiwan's Securities and Exchange Act, and revised in accordance with Taiwan's Regulations Governing the Acquisition or Disposal of Assets of Public Companies.

Article 3: Scope of Assets

1. Securities: Including investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real property (including lands, houses and buildings, investment property, land use rights and inventories of construction enterprises) and equipment.
3. Memberships.
4. Intangible Assets: Including patents, copyrights, trademarks, franchise rights and other intangible assets.
5. Claims of Financial Institutions (including receivables, bills purchased and discounted, loans and overdue receivables).
6. Derivative Products.
7. Assets acquired or disposed of in connection with mergers, spin-off, acquisitions or transfer of shares in accordance with the law.
8. Other major assets.

Article 4: Definitions

1. "Derivative Products": Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
2. Assets acquired or disposed of in connection with mergers, spin-off, acquisitions or transfer of shares in accordance with the law refer to the assets acquired or disposed through mergers, spin-offs or acquisitions conducted under the Mergers and Acquisition Act, Financial Holding Company Act, Financial Institutions Merger Act or other laws, or share transfer by issuance of new shares as consideration conducted under the Paragraph 8 of Article 156 of Taiwan's Company Act (hereinafter "Transfer of Shares").
3. A "related party" or "subsidiary" as referred to in the Procedures shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. "Professional Appraiser": Refers to a real property appraiser or other person duly authorized in accordance with the law to engage in the value appraisal of real property or other fixed assets and equipment.
5. "Date of Occurrence": Refers to date of contract signing, date of payment, date of consignment trade, date of transfer, date of a resolution adopted by the Board of Directors, or other date that can confirm the counterparty and transaction amount; whichever date is earlier. Provided that, for the investments required to be approved by the competent authorities, the earlier of the above date or the date of receipt of approval from the competent authorities shall apply.

6. Investments made in Mainland China refers to the investments made in Mainland China in accordance with that the licensing regulations of the Investment Commission, MOEA on investments or technical cooperation in Mainland China.
7. “Within one year” refers to one year from the actual date when assets are acquired or disposed of. The assets declared in accordance with regulations shall be excluded from calculation.
8. “Latest financial statements” refer to the financial statements verified, certified or audited by a certified public accountant in accordance with the law prior to the acquisition or disposal of the assets by the Company.

Article 5: Limits for Investments in Real Property and Securities not for Business Purpose

The limits for investments in the aforesaid assets acquired by the Company are as follows:

- (1) The total amount of investments in the real property not for business purpose may not exceed ten percent of the Company’s net worth.
- (2) The total amount of investments in securities may not exceed fifty percent of the Company’s net worth.
- (3) The amount of investment in any single security may not exceed forty percent of the Company’s net worth.

Article 6: Professional appraisers and their officers, certified public accountants, attorneys, or securities underwriters that provide the Company with appraisal reports or opinions and the parties to a transaction shall not be related parties.

Article 7: Procedures for Acquisition or Disposal of Real Property or Equipment

I . Evaluation and Operating Procedures

The acquisition or disposal of real property and equipment by the Company shall be subject to the Company’s Internal Control Systems for Procedures of Fixed Asset Cycle.

II . Procedures for Determination of Transaction Terms and Authorized Limits

- (1) When the Company acquires or disposes of real property, the terms and prices for the transaction shall be determined based on the publicly announced current value, appraised value and actual transaction price for adjacent real property. An analysis report on such terms and prices for the transaction shall be produced for approval of the chairman of the Board. Such transaction shall be adopted by the Board at the next meeting immediately following the transaction where the value of such real property is NTD 30 million or less; where the value of such real property is NTD 30 million, the transaction shall not be conducted unless being adopted by the Board by way of resolution.
- (2) Acquisition or disposal of other fixed assets shall be based on price solicitation, price comparison, negotiation or tender. The approval shall be obtained for transaction amount less than NTD 30 million (inclusive) level by level in accordance with the Company’s authorization rules. Transaction amount of NTD 30 million or more shall be adopted by the Board by way of resolution after being approved by the general manager.

III. Execution

The user department and the administrative department shall be responsible for acquisition or disposal of real property or other fixed assets, provided that the acquisition or disposal thereof is approved within the scope of authorization as set forth in the preceding paragraph.

IV. Appraisal Report on Real Property or Other Fixed Assets

When the Company acquires or disposes of real property or equipment, if the transaction amount reaches twenty percent (20%) of the Company’s paid-in capital or NTD 300 million or more, the Company, except for transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of the facilities for business purpose, shall obtain an appraisal report prior to the Date of Occurrence from a professional appraiser, and shall further comply with the following provisions:

- (1) Where it is necessary to take a restrictive price, specified price or special price as a reference basis for the transaction price for special reason, the transaction shall be submitted for approval in advance by the Board. The same procedure shall apply to any changes to the terms and conditions of the transaction in the future.
- (2) Where the transaction amount reaches NTD 1 billion or more, two or more professional appraisers shall be engaged to carry out appraisal.

The transaction amount described in this Paragraph shall be calculated pursuant to Article 14.1.6. If the Company has obtained an appraisal report from a professional appraiser or opinions from a certified public accountant in accordance with these Procedures, it shall be exempt from such requirement.

- (3) Where the appraisal results of a professional appraiser falls into any one of the following circumstances, except to the extent that the appraisal price is higher than the transaction amount in acquisition of asset(s), or the appraisal price is lower than the transaction amount in disposal of asset(s), a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Taiwan's Accounting Research and Development Foundation, and express specific opinions regarding the reason for the discrepancy and the appropriateness of the transaction price:
 1. The discrepancy between the appraisal result and the transaction amount is twenty percent or more of the transaction amount.
 2. The discrepancy between the appraisal results of two or more professional appraisers is ten percent or more of the transaction amount.
- (4) The interval between date when a report is issued by the professional appraiser and the date when the contract is entered into shall not exceed three months. However, provided that the publicly announced current value for the same period is used and no more than six months have elapsed, opinions may still be issued by the original professional appraiser.
- (5) A certification issued by a court may substitute for the appraisal report or opinions issued by the certified public accountant if the Company acquires or disposes of assets through judicial foreclosure.

Article 8: Procedures for Acquisition or Disposal of Investments in Securities

I . Evaluation and Operating Procedures

Purchase or sale of long- and short-term securities shall be subject to the Company's Internal Control Systems for Investment Cycle (if any).

II . Procedures for Determination of Transaction Terms and Authorized Limits

- (1) The purchase and sale of the securities which are traded at centralized trading market or over-the-counter markets shall be determined by the responsible unit in light of market conditions. If the transaction amount is NTD 30 million or less, such transaction shall not be conducted unless approved by the chairman of the Board, and adopted by the Board at the next meeting immediately following the transaction; if the transaction amount is NTD 30 million or more, the transaction shall not be conducted unless being adopted by the Board by way of resolution.
- (2) For the purchase and sale of the securities which are not traded at centralized trading market or over-the-counter markets, the most recent financial statements of the target company certified or reviewed by a certified public accountant shall be obtained prior to the Date of Occurrence to be used as reference for determining the transaction price. The net value per share, profitability, development potential of the securities in the future, etc. shall be taken into consideration. Such transaction shall not be conducted unless approved by the chairman of the Board and adopted by the Board by way of resolution.

III . Execution

The accounting unit shall be responsible for making investments in long- and short-term securities

for the Company, provided that the investments are approved within the scope of authorization as set forth in the preceding paragraph.

IV. Expert Opinions

- (1) If the transactional amount reaches twenty percent (20%) of the Company's paid-in capital or NTD 300 million, the opinions from a certified public accountant shall be obtained prior to the Date of Occurrence in respect of the reasonableness of the transaction price. However, if there is a public offer for the securities in the active market or unless otherwise provided for by the Financial Supervisory Commission, such limits do not apply.

The transaction amount described in this Paragraph shall be calculated pursuant to Article 14.1.6. If the Company has obtained an appraisal report from a professional appraiser or opinions from a certified public accountant in accordance with these Procedures, it shall be exempt from such requirement.

- (2) A certification issued by a court may substitute for appraisal report or opinions issued by the certified public accountant in acquisition or disposal of assets through judicial foreclosure.

Article 9: Procedures for Acquisition or Disposal of Assets from a Related Party

- I. In acquisition or disposal of assets from a related party, in addition to complying with the requirements set forth in Article 7 Procedures for Acquisition or Disposal of Real Property, the Company shall ensure that the necessary resolutions are adopted, the reasonableness of the transaction terms is appraised, and other relevant matters are carried out in accordance with the following regulations: When judging whether or not a trading counter party is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

II. Evaluation and Operating Procedures

Where the Company intends to acquire or dispose of assets from a related party, the following materials shall be submitted for approval firstly by the Board of Directors and supervisors before any transaction agreement is signed or any payment is made:

- (I) The purpose, necessity and anticipated benefits of the assets acquired or disposed of.
- (II) The reason for choosing the related party as a trading counter party.
- (III) In acquisition of real property from a related party, the information regarding the reasonableness of the proposed transaction terms shall be evaluated in accordance with the Paragraphs 3(1) and (4) of this Article.
- (IV) The date and price at which the related party originally acquired the real property, the original trading counter party, and the relationship among trading counter party, the Company and the related party.
- (V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (VI) When the Company acquires or disposes of real property from a related party, if the transaction amount reaches twenty percent (20%) of the Company's paid-in capital or NTD 300 million or more, or when the Company intends to acquire or dispose of any assets other than real property from a related party, if the transaction amount reaches 20% of the paid-in capital of the Company, or 10% of the aggregate amount of assets of the Company, or NTD 300 million or more, an appraisal report from a professional appraiser or opinions from a certified public accountant shall be obtained.
- (VII) Restrictive conditions and other important matters agreed upon in the transaction.

The transaction amount described in the preceding paragraph shall be calculated pursuant to Article 14.1. 5. However, the calculation shall exclude the amount which has already been submitted for approval by supervisors as well as the Board in accordance with these Procedures.

The transaction amount of the machinery equipment for business purpose to be acquired or disposed of by the Company from its parent company or a subsidiary is below NTD 30 million, the Company is authorized by the Board to enter into the transaction first at its own discretion before the transaction is submitted to the Board for approval at the next meeting immediately following the transaction.

III. Evaluation of the Reasonableness of the Transaction Costs

- (I) When the Company acquires real property from a related party, the reasonableness of the transaction costs shall be evaluated by the following means:
 - 1. Based upon the related party's transaction price plus necessary interest on funds and the costs to be duly borne by the buyer in accordance with the law. "Necessary interest on funds" is imputed as the weighted average interest rate for the borrowed funds in the year the Company purchases the assets; provided that, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 - 2. Where the related party has previously created a mortgage on the assets as security for loans from a financial institution, total loan value of the assets shall be appraised by the financial institution; provided that, the actual cumulative amount loaned by the financial institution shall reach seventy percent (70%) or more of the appraised loan value of the assets, and the term of the loans shall be over one year or more. However, this clause shall not apply where the financial institution is a related party of one of the trading counter parties.
- (II) Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.
- (III) When acquiring real property from a related party, the Company shall appraise the cost of the real property in accordance with the provisions of the Paragraphs 3(1) and (2) of this Article, and shall also engage a certified public accountant to check the appraisal and express specific opinions.
- (IV) Acquisition of real property from a related party, where the costs appraised in accordance with Subparagraphs 3(1) and 3(2) of this Article are both lower than transaction prices, shall be subject to Subparagraph 3(5) of this Article, except that under one of the following circumstances, objective evidence has been submitted, and specific opinions on reasonableness have been obtained from a professional real property appraiser and a certified public accountant:
 - 1. Where a related party acquired undeveloped land or leased land for development, it shall submit proof evidencing that it complied with one of the following conditions:
 - (1) Where the undeveloped land is appraised by the means set forth in the preceding Article, and the structures based on the related party's construction costs plus reasonable construction profits are valued in excess of the actual transaction prices. The "reasonable construction profits" shall be based on the average gross operating profit margin of the related party's construction division over the last three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (2) The cases of transactions completed by unrelated parties within the preceding year involved with other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property marketing practices.
 - (3) In accordance with standard property leasing market practices, for other floors of the same property leased by unrelated parties within the preceding year, there shall be similar transaction terms after calculation of reasonable price discrepancies among floors.
 - 2. The evidence produced by the Company proves that in the acquisition of real property from a

related party, the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. The cases of transactions completed for neighboring or closely valued parcels of land described in the preceding paragraph in principle refers to the parcels on the same or an adjacent block and within a distance of no more than 500 meters or the parcels close in publicly announced current value; the cases of transactions for similarly sized parcels in principle refers to the transactions completed by unrelated parties for parcels with a land area of no less than fifty (50) percent of the property in the planned transaction; “within one year” refers to one year from the actual date of acquisition of the real property.

- (V) When the Company acquires real property from a related party, if the costs appraised in accordance with Subparagraphs 3(1) and 3(2) of this Article are both lower than transaction prices, the following matters shall be addressed: If the Company and the public company that measures the investments in the Company by employing the equity method makes a provision for special surplus reserves in accordance with the preceding paragraph, they shall purchase the assets for which losses from falling prices have been recognized or which have been disposed of or which have been appropriately compensated or restored the status quo ante at a high price, or if there is other evidence indicating that the transaction is reasonable, the special surplus reserves may not be used unless with the consent of the competent authorities.
1. Special surplus reserves shall be set aside in accordance with the Paragraph 1 of Article 41 of Taiwan’s Securities and Exchange Act against the difference between the transaction price and the appraised costs for real property, and may not be distributed or used for capital increase or issuance of bonus shares. If the investor who measures the investments in the Company by employing the equity method is a public company, it shall also make a provision for special surplus reserves pro rata to the shareholding in accordance with Paragraph 1 of Article 41 of Taiwan’s Securities and Exchange Act against the amount set aside.
 2. Supervisors (if any) shall comply with the provisions of the Article 218 of Taiwan’s Company Act.
 3. The actions taken pursuant to Paragraphs 3(5)1 and 2 of this Article shall be reported to at a general meeting, and the details of the transaction shall be disclosed in the annual report and the prospectus.
- (VI) Where the acquisition of real property from a related party by the Company falls into one of the following circumstances, the real property shall be acquired in accordance with the provisions of Paragraphs 1 and 2 of this Article in connection with evaluation and operating procedures, and Subparagraphs (1), (2) and (3), Paragraph 3 of this Article in connection with evaluation of the reasonableness of the transaction costs shall not apply:
1. The related party acquired the real property through inheritance or as a gift.
 2. More than five years will have elapsed from the time the related party signed the contract for acquisition of the real property to the signing date for the current transaction.
 3. The real property is acquired by entering into a joint development contract with the related party.
- (VII) If there is other evidence indicating that the acquisition of real property from a related party by the Company is not consistent with the business practice, such acquisition shall be subject to Subparagraph 3(5) of this Article.

Article 10: Procedures of Acquisition or Disposal of Memberships or Intangible Assets

(I) Evaluation and Operating Procedures

The acquisition or disposal of memberships or intangible assets shall be subject to the Company’s Internal Control Systems for Procedures of Fixed Asset Cycle.

(II) Procedures for Determination of Transaction Terms and Authorized Limits

1. When the Company acquires or disposes of a membership, the terms and prices for the transaction shall be determined based on the fair market value of such membership. An analysis report on such terms and prices for the transaction shall be produced for approval of the general manager. Such transaction shall be adopted by the Board at the next meeting immediately following the transaction where the value of such membership is NTD 3 million or less; where the value of such membership is NTD 3 million, the transaction shall not be conducted unless being adopted by the Board by way of resolution.
2. When the Company acquires or disposes of intangible assets, the terms and prices for the transaction shall be determined with reference to expert evaluation reports or the fair market value. An analysis report on such terms and prices for the transaction shall be produced for approval of the chairman of the Board. Such transaction shall be adopted by the Board at the next meeting immediately following the transaction where the value of such intangible assets is NTD 20 million or less; where the value of such intangible assets is NTD 20 million, the transaction shall not be conducted unless being adopted by the Board by way of resolution.

(III) Execution

The user department and the financial or administrative department shall be responsible for acquisition or disposal of memberships or intangible assets, provided that the acquisition or disposal thereof is approved within the scope of authorization as set forth in the preceding paragraph.

(IV) Expert Evaluation Report on Memberships or Intangible Assets

1. An expert shall be engaged to issue an evaluation report where the transaction amount of the intangible assets acquired or disposed of by the Company reaches NTD 20 million or more.
2. Whenever the Company acquires or disposes of memberships or intangible assets, if the transaction amount reaches twenty percent (20%) of the Company's paid in capital or NTD 300 million, except for transacting with a government agency, a certified public accountant shall, prior to the Date of Occurrence, be engaged to express opinions in respect of the reasonableness of the transaction price in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. The transaction amount described in this Paragraph shall be calculated pursuant to Article 14.1.6. If the Company has obtained an appraisal report from a professional appraiser or opinions from a certified public accountant in accordance with these Procedures, it shall be exempt from such requirement.

Article 11: Procedures for Acquisition or Disposal of Claims of Financial Institutions

In principle, the Company is not engaged in acquisition or disposal of the claims of financial institutions. If the Company subsequently intends to engage in such transaction, after the transaction is approved by the Board, the evaluation and operating procedures shall be adopted.

Article 12: Procedures for Acquisition or Disposal of Derivative Products

I . Trading Principles and Guidelines

(I) Transaction Type

1. See Article 4 hereof for the definition of the derivative financial products.
2. Matters relating to transactions for guarantee deposit on securities shall be handled in accordance with the relevant provisions of these Procedures. For the trading of bonds subject to the conditions for repurchase, the provisions of these Procedures do not apply.

(II) Strategies for Business (Mitigation of Risks)

The trading in derivative financial products by the Company shall be aimed at mitigation of risks. The trading commodities necessary for mitigation of the risks from the business operations of the Company shall be selected. The currency held shall satisfy the demand for the foreign currency used by the Company for actual import and export transactions, based on the principle of balancing revenue and expenditure (only limited to income and expenses in foreign currency), with a view to mitigating the overall foreign exchange risks and cutting foreign exchange costs. Other transactions for specific

purpose shall be carefully evaluated and submitted to the Board for approval before proceeding.

(III) Division of Powers and Responsibilities

1. Financial Department

(1) Traders

- A. Responsible for drawing up the strategy for the financial commodity transactions in the Company.
- B. Traders shall calculate the positions every two weeks, collect market information, pass judgment on trends, carry out risk assessment, and draw up operation strategies. After being approved within the scope of authorization, such information shall be used as the basis for trading.
- C. Transactions are conducted within the scope of authorization and in accordance with the existing strategies.
- D. When a trader determines that the existing strategy is not applicable due to major changes in the financial market, he/she shall submit an assessment report at any time, and draw up a new strategy. After being approved by the general manager, such assessment report shall be used as the basis for trading.

(2) Accountants

- A. Confirm transactions.
- B. Review whether or not a transaction is based on the scope of authorization and the existing strategies.
- C. Carry out evaluation on a monthly basis, and submit the evaluation report to the general manager.
- D. Accounting.
- E. Make declaration and announcement in accordance with the regulations of the competent authorities.

(3) Closing personnel: perform closing tasks.

(4) Scope of authorization for derivative products

A.Scope of authorization for transactions aimed at mitigation of risks

Approver	Daily trading permissions	Trading authority of net accumulative positions
General manager	Less than US\$1M	Less than US\$3M (inclusive)
Chairman	More than US\$1M	Less than US\$10M (inclusive)

B.Other transactions for specific purpose shall be submitted to the Board for approval before proceeding.

2. Audit Department

The Audit Department is responsible for understanding the appropriateness of internal control over derivative product transactions and checking the compliance of the procedures for disposal of derivative products by the trading department, analyzing the trading cycle, preparing an audit report, and reporting to the Board of Directors when there is a major deficiency.

(IV) Performance Evaluation

1. Transactions for Mitigation of Risks

- (1) Performance evaluation shall be based on the exchange rate costs and the profits and losses from the derivative financial transactions shown in the accounting books of the Company.
- (2) In order to fully understand and reflect the evaluation risks from transactions, the Company evaluates the profits and losses on a monthly basis.
- (3) The Financial Department shall provide the information on evaluation of foreign exchange positions, trends in the foreign exchange market and market analysis to the general manager as

management reference and instructions.

2. Transactions for Specific Purpose

Performance evaluation is based on actual profits and losses, and the accountants shall prepare financial statements at regular interval for reference by the management.

(V) Total Contract Amount and Upper Limit on Losses

1. Total Contract Amount

(1) Limit on Transactions for Mitigation of Risks

The Financial Department shall learn about the overall position of the Company to avoid trading risks. The amount of risk-avoiding transactions shall not exceed two-thirds of the Company's overall net position. If more than two-thirds, the total amount shall be reported to the general manager for approval.

(2) Transactions for Specific Purpose

Based on the forecast of changes in the market conditions, the Financial Department may develop strategies in light of needs, and report them to the general manager and the chairman of the Board for approval. Total contract amount of net accumulative positions for the transactions for specific purpose conducted by the Company is limited to US\$10 million. Any overruns are subject to the approval of the Board of Directors, and are not permitted unless otherwise directed by policies.

2. Upper Limit on Losses

(1) With respect to the transactions for mitigation of risks, the losses of the transaction contract and the benefits from the transactions with entities shall be offset in the financial statements. When the amount of a transaction contract reaches the following upper limit on losses, reports shall be made to the general manager and the chairman of the Board of Directors for discussions about response measures.

A. The upper limit on the losses from a single contract is US\$ 20,000 or 5 percent of the transaction contract amount, whichever is lower.

B. The upper limit on the losses from all the contracts is US\$300,000.

(2) In the case of the contracts for transactions for special purpose, after the position is established, a stop loss point shall be set to prevent excessive losses. The stop loss point shall be subject to 10% of the upper limit on the transaction contract amount. If the loss amount exceeds 10% of the transaction amount, overruns shall be reported immediately to the general manager and the Board of Directors for discussions about response measures.

II. Measures for Risk Management

(I) Management of Credit Risks:

As the market is affected by changes in various factors, derivative financial products are easily exposed to operational risks. Therefore, management of market risks shall be conducted in accordance with the following principles:

(1) Trading counter parties: mainly including domestic and foreign well-known financial institutions.

(2) Trading commodities: limited to the goods provided by well-known financial institutions at home and abroad.

(3) Transaction amount: The amount of transactions not written off with the same counter party shall not exceed 10% of the total authorized amount, unless otherwise approved by the general manager.

(II) Management of Market Risks:

It is based on the open foreign exchange market for banks, without regard to the futures market.

(III) Management of Liquidity Risks:

In order to ensure market liquidity, when selecting financial products, priorities are given to the products with higher liquidity (they can be offset at any time in the market), and the financial institutions entrusted with transactions shall have sufficient information and the ability to conduct transactions in any market at any time.

(IV) Management of Cash Flow Risks

In order to ensure the stability of the Company's working capital, the source of funds used by the Company for trading in derivative products is limited to its own funds. The forecast demand for funds covering the cash revenue and expenditure for the next three months shall be taken into consideration in such trading.

(V) Management of Operational Risks:

1. The Company's authorization quota, and operating procedures shall be followed and incorporated into internal audit to avoid operational risks.
2. Traders engaged in derivative products shall not concurrently serve as operators, such as the person in charge of confirmation and closing.
3. The risk measurement, supervision and control personnel shall be in different departments from the those described in the preceding paragraph, and shall report to the Board of Directors or senior executives who are not responsible for the decision-making of transactions or positions.

(VI) Management of Commodity Risks

Internal traders shall have complete and correct professional knowledge of financial products, and require banks to fully disclose risks to avoid the risks from financial products.

(VII) Management of Legal Risks:

Documents to be signed with financial institutions shall not be formally signed unless reviewed by special personnel in charge of foreign exchange and legal affairs or a legal counsel, so as to avoid legal risks.

III, Internal Audit Systems

- (I) Internal auditors shall evaluate the appropriateness of internal control over derivative product transactions on a regular basis, and check the compliance of the procedures for disposal of derivative products by the trading department, and analyze the trading cycle on a monthly basis to prepare an audit report. Should there be any material breach found, a written notice shall be sent to supervisors.
- (II) Internal auditors shall submit the audit report to and report on the annual audit of operations to the competent authorities by the end of February of the following year, and report the improvements in abnormalities to the competent authorities for reference at the latest by the end of May of the following year.

IV. Periodic Evaluation

- (I) The Board of Directors shall authorize senior executives to supervise and evaluate whether or not the trading in derivative products is actually conducted in accordance with the Company's trading procedures, and whether or not the risks assumed by the Company are within the tolerance range on a regular basis. Whenever the assessment reports on market prices are abnormal (such as the held position exceeding the limit on losses), senior executives shall report to the Board of Directors immediately, and take the appropriate measures.
- (II) The derivative product transactions shall be assessed at least once a week, but the transactions conducted for business purpose aimed at mitigation of risks shall be assessed at least twice a month, with the evaluation report sent to the senior executive authorized by the Board of Directors.

V. The principles of supervision and management followed by the Board of Directors in derivative commodity transactions

- (I) The Board of Directors shall instruct senior executives to pay attention to the supervision and control of the risks from derivative commodity transactions at any time. The management principles are as follows:
 1. Assess whether or not the risk management measures currently taken are appropriate and in accordance with the Principles and the Company's procedures for dealing with derivative products on a regular basis.
 2. Supervise transactions and the profits and losses therefrom, if any abnormal circumstances are found, the necessary countermeasures shall be taken, and such circumstances shall be reported to the Board of Directors immediately. If the Company has appointed independent directors, the Board of Directors shall have independent directors to attend the meeting convened for such circumstances

and express their opinions.

- (II) Assess whether or not the performance of the trading in derivative products is in line with the existing business strategy and whether or not the risks assumed are within the Company's tolerance range on a regular basis.
- (III) When the Company is engaged in the derivative commodity transactions, it shall authorize the relevant personnel to conduct such transactions in accordance with the procedures for dealing with derivative products, and shall report to the Board at the next meeting immediately following the transaction.
- (IV) The Company shall establish a memorandum book for derivative commodity transactions, and keep records of the type and amount of derivative commodity transactions, the date when such transactions are adopted by the Board of Directors, and the matters to be prudently evaluated in accordance with Paragraph 4(2), and Paragraphs 5(1) and (2) of this Article or future reference.

Article 13: Procedures for Merger, Spin-off, Acquisition, or Transfer of Shares

I . Evaluation and Operating Procedures

- (I) In case of a merger, spin-off, acquisition, or transfer of shares, the Company is advised to appoint an attorney, certified public accountant and securities underwriter to discuss and establish a timetable in accordance with the statutory procedures, and shall organize a special project team for execution thereof in accordance with the statutory procedures. Prior to convening the meeting of the Board to resolve on the aforesaid matters, the Company shall engage a certified public accountant, attorney, or securities underwriter to offer opinions on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to the Members, and submit such opinions to the Board for deliberation and approval. However, for the mergers of a public company with its subsidiary in which such company holds, directly or indirectly, 100% of the issued shares or total capital, or the mergers between the subsidiaries in which such company holds, directly or indirectly, 100% of the issued shares or total capital, it is unnecessary to obtain opinions from the aforesaid experts.
- (II) The Company shall prepare and submit a report to Members detailing the significant contents of a merger, spin-off, or acquisition and the relevant matters before a general meeting is held, together with the expert opinions referred to in the Paragraph(1) of this Article and the notice of the general meeting as reference for the Members to determine whether or not to approve the merger, spin-off, or acquisition. However, where the Company is exempt from convening a general meeting to approve the merger, spin-off, or acquisition pursuant to provisions of other laws, the above requirement shall not apply. If a company who participates in a merger, spin-off, or acquisition fails to convene a general meeting or to pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal of such company is rejected by the Members, such company shall immediately explain the reason, the follow-up measures, and the expected date of the next general meeting to the public.

II. Other Important Matters

- (I) Board Meeting Date: A company that participates in a merger, spin-off, or acquisition shall convene the meeting of the Board and general meeting on the same day to resolve on the matters relevant to the merger, spin-off, or acquisition, unless otherwise specified by other laws or approved by the competent authorities in advance under extraordinary circumstances. A company that participates in transfer of shares shall convene the meeting of the Board on the same day when the shares are transferred, unless otherwise specified by other laws or approved by the competent authorities in advance under extraordinary circumstances.
- (II) Non-Disclosure: Every person participating in or privy to the Company's plan for merger, spin-off, acquisition, or transfer of shares shall issue a written undertaking of confidentiality. Such person shall not disclose the contents of the plan prior to public disclosure of the information, nor shall him/her trade in his/her own name or on behalf of another person, in any shares or other equity

based securities of any company concerning the plan for merger, spin-off, acquisition, or transfer of shares.

- (III) Determination of or changes to share exchange ratio or purchase price: Prior to convening the meetings of the Board to resolve on the aforesaid matters, two companies who are parties to merger, spin-off, acquisition, or transfer of shares shall engage certified public accountants, attorneys, or securities underwriters to offer opinions on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to the Members, and submit such opinions to their Boards for deliberation and approval. No changes shall be made to share exchange ratios or purchase prices in principle, except for the conditions of changes specified in contracts and those made publicly available. The conditions of changes to share exchange ratios or purchase prices are as follows:
1. Capital increase in cash, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
 2. An action, such as a disposal of major assets, that affects the Company's financial operations.
 3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share prices.
 4. An adjustment to the treasury stock repurchased by any of the companies participating in the merger, spin-off, acquisition, or transfer of shares from another company.
 5. An increase or decrease in the number of entities or companies participating in the merger, spin-off acquisition, or transfer of shares.
 6. Other conditions of changes specified in contracts and made publicly available.
- (IV) Contents of the contract: A contract for merger, spin-off, acquisition, or transfer of shares shall state the following provisions in addition to the matters set forth in Article 317(1) of the Taiwan's Company Act and Article 22 of the Enterprise Merger and Acquisition Law:
1. Provisions for breach of contract.
 2. Principles for disposal of the equity-based securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is divided up.
 3. The number of the treasury stock to be bought back by the participating companies to the extent permitted by law after the record date for calculation of the share exchange ratio, and the principles for disposal thereof.
 4. The means by which changes in the number of participating entities or companies are handled.
 5. Estimated progress on the plan, and anticipated completion date.
 6. Scheduled date for convening the general meeting in accordance with the law if the plan is not completed by the deadline, and the relevant procedures.
- (V) Changes in the number of the companies participating in the merger, spin-off, acquisition or transfer of shares: If any company who participates in a merger, spin-off, acquisition, or transfer of shares intends further to carry out another merger, spin-off, acquisition, or share transfer with another company after public disclosure of the information, the Company shall carry out anew the procedures or legal actions that were originally required for the former merger, spin-off, acquisition, or transfer of shares, and may be exempted from calling another general meeting to resolve on the matter anew; except to the extent that the number of participating companies is decreased and the general meeting has resolved on authorizing the Board to alter the limits of authority.
- (VI) Where any of the companies participating in a merger, spin-off, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company, and be engaged in the merger, spin-off, acquisition, or transfer of shares by the Board Meeting Date set forth in Subparagraph 2(1) of this Article in accordance with the Non-Disclosure Undertaking set

forth in Subparagraph 2(2) of this Article, and the provisions of the changes in the number of companies participating in the merger, spin-off, acquisition or transfer of shares in Subparagraph 2(5) of this Article.

(VII) The companies participating in a merger, spin-off, acquisition, listing or purchase and sale of shares at over-the-counter markets shall keep complete written records of the following information for five (5) years for future verification:

1. Basic personnel information: Including the title, name, and identity card number (or the passport number, if he/she is a foreigner) of every person participating in or privy to the Company's plan for merger, spin-off, acquisition, or transfer of shares prior to public disclosure of the information.
2. Date of important matters: Including the dates of signing a letter of intent or memorandum, entrusting financial or legal counsel, signing a contract and a meeting of the Board of Directors.
3. Significant books and meeting minutes: Including a plan for mergers, spin-offs or acquisition, letters of intent or memorandums, important contracts and meeting minutes of the Board of Directors.

(VIII) The companies participating in a merger, spin-off, acquisition, listing or purchase and sale of shares over-the-counter markets shall issue a disclosure report in the designated format within two days from the resolution on the merger, spin-off, acquisition, listing or purchase and sale of shares is adopted by the Board of Directors:

(IX) If a company participating in a merger, spin-off, or acquisition is not a listed company or has no shares traded at over-the-counter markets, it shall enter into an agreement with a listed company or a company with shares traded at over-the-counter markets, and conduct the merger, spin-off, or acquisition in accordance with Subparagraphs 2(7) and (8) of this Article.

Article 14: Procedures for Disclosure of Information

I. Matters to be Announced or Reported and the Standards for Announcement and Reporting

- (I) When the Company acquires or disposes of real property from a related party, or when the Company intends to acquire or dispose of any assets other than real property from a related party, the transaction amount reaches 20% of the paid-in capital of the Company, or 10% of the aggregate amount of assets of the Company, or NTD 300 million or more. However, trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities, investment and trust enterprises is excluded.
- (II) Merger, spin-off, acquisition, or transfer of shares.
- (III) Losses from derivatives trading reach the limits on aggregate losses or losses of individual contracts set out in the relevant procedures adopted by the Company.
- (IV) Where the type of assets acquired or disposed of is equipment for business purpose, the trading counter party is not a related party, and the transaction amount complies with one of the following provisions:
 1. A public company whose paid in capital is below NTD 10 billion, and the transaction amount reaches NTD 500 million or more;
 2. A public company whose paid in capital is NTD 10 billion or more, and the transaction amount reaches NTD 1 billion or more.
- (V) Where the Company is engaged in the construction business, the trading counter party of the real property acquired or disposed of for construction purpose is not a related party, and the transaction amount is less than NTD 500 Million.
- (VI) Where real property is acquired through an arrangement for commissioned construction on the self-owned land or rented land, joint construction and allocation of housing units, joint

construction and allocation of ownership, or joint construction and separate sales, the amount of funds the Company expects to invest in the transaction is less than NTD 500 million.

(VII) In a transaction of assets, or disposal of receivables by a financial institution or investments made in Mainland China other than any of those referred to in the preceding six subparagraphs, the transaction amount reaches twenty percent (20%) of the Company's paid in capital or NTD 300 million. Provided that, this limitation shall not apply to the following circumstances:

1. Trading of Government Bonds.
2. The Company is engaged in investment business, securities trading on securities exchanges or over-the-counter markets at home and abroad, or subscription, offering or issuance of ordinary corporate bonds and general financial bonds not involving equity in the domestic primary market, or a securities dealer instructs or recommends another securities dealer to subscribe securities in accordance with the regulations of Taipei Exchange.
3. Trading of bonds under repurchase/resale agreements, or subscription or redemption of the money market funds issued by domestic securities, investment and trust enterprises.
4. Where the type of assets acquired or disposed of is equipment for business purpose, the trading counter party is not a related party, and the transaction amount is less than NTD 500 million.

(VIII) The amount of transactions described above shall be calculated as follows. "Within one year" refers to one year from the actual date of the transaction. The amount declared in accordance with regulations shall be excluded from calculation.

1. The amount of any individual transaction.
2. The cumulative transaction amount of the same type of the assets acquired from or disposed of with the same trading counter party within one year.
3. The cumulative transaction amount of the real property acquired or disposed of (cumulative amount, respectively) for the same development project within one year.
4. The cumulative transaction amount of the same securities acquired or disposed of (cumulative amount, respectively) within one year.

II. Public Disclosure Timeframe

When the Company acquires or disposes of assets, if one of the foregoing condition has been met and the transaction amount reaches the public announcement threshold, a disclosure report shall be made in accordance with the Procedures within two days from the day of occurrence of the fact:

III. Procedures for Public Disclosure

- (I) The Company shall submit the relevant information to the reporting website designated by the competent authorities.
- (II) The Company shall on a monthly basis submit the relevant information in respect of the derivative products transactions conducted by the Company with a subsidiary which is not a public company in China by the end of last month to the reporting website designated by the competent authorities prior to the tenth day of each month.
- (III) When the Company at the time of public announcement is required to correct any error or omission made in an item required by the Procedures to be publicly announced, all the items shall be publicly announced and reported again within two days from the date when such error or omission is found.
- (IV) When acquiring or disposing of assets, the Company shall keep all the relevant contracts, meeting minutes, memorandum books, appraisal reports and the opinions from certified public accountants, attorneys, and securities underwriters at the Company's headquarters for at least five years unless otherwise set forth in other laws.
- (V) After a public disclosure is made pursuant to the preceding paragraph, a report on the relevant information shall be made within two days from the day of occurrence of the fact on the information reporting website designated by the competent authorities, in case of:
 1. Changes to, termination, or rescission of a contract signed in regard to the original transaction.
 2. The merger, spin-off, acquisition, or transfer of shares not completed by the scheduled date set forth in the contract.
 3. Amendments to or changes in the report previously made to the information reporting website.

IV. Format: Announcements shall be made in such format specified by the relevant regulations.

Article 15: The subsidiaries of the Company shall be subject to the following provisions:

- I . A subsidiary of the Company shall also establish the Procedures for Acquisition or Disposal of Assets in accordance with Taiwan's Regulations Governing the Acquisition or Disposal of Assets of Public Companies. Such procedures as well as any amendment thereto shall be adopted by its board and further approved at a general meeting of its members.
- II . The acquisition or disposal of assets by a subsidiary of the Company shall be subject to the Procedures.
- III . If a subsidiary of the Company who is not a public company reaches the threshold for public disclosure as stipulated in Chapter III of Taiwan's Regulations Governing the Acquisition or Disposal of Assets of Public Companies, the Company shall make the relevant disclosure on behalf of the subsidiary.
- IV . For purposes of determining whether or not disclosure is required from a subsidiary, 「 20% of the paid-in capital of the Company, or 10% of the aggregate amount of assets 」 shall be based on the paid-in capital or the aggregate amount of assets of the Company (parent company).

Article 16: Sanctions

If a manager or undertaker of the Company violates these Procedures, report on and assessment of such violation shall be carried out depending on the seriousness of the case, and the losses caused to the Company, and with reference to the personnel management regulations and Employee Handbook of the Company. Such manager or undertaker shall be subject to punishment depending on the seriousness of the case.

Article 17: Implementation and Amendments

The Procedures for Acquisition or Disposal of Assets established by the Company as well as any amendment thereto, and the transactions for acquisition or disposal of assets in accordance with these Procedures or other laws and regulations shall not become effective unless adopted by the Board, submitted to supervisors and approved at the general meeting. If any director raises an objection evidenced by records or a written statement, the Company shall submit the objection to the supervisors.

If the Company has appointed independent directors, when the Procedures for Acquisition or Disposal of Assets and the transactions for acquisition or disposal of assets in accordance with these Procedures or other laws and regulations are submitted to the Board of Directors for discussions, the opinions expressed by the independent directors shall be taken into full consideration. If an independent director has objections or qualified opinions, such objections or qualified opinions shall be stated in the minutes of the meeting of the Board.

EVERMORE CHEMICAL INDUSTRY CO., LTD.

Procedural Rules of General Meetings

Made effective as of August 15, 1997

Fifth Amendment made on June 22, 2017

- Article 1: Unless otherwise provided for by the relevant laws and regulations or the Company's Articles of Association, the general meetings of the Company shall be held in accordance with these Procedural Rules.
- Article 2: The Company shall indicate the time for acceptance of registration for attendance by shareholders, the place of registration, and other matters needing attention in the notice of a general meeting.
- The time for the acceptance of registration for attendance by shareholders described in the preceding paragraph shall be at least 30 minutes before the start of a general meeting; the place of registration shall be clearly marked and appropriate qualified personnel shall be put in charge thereof.
- A shareholder shall attend the general meeting in person or in proxy (hereinafter referred to as the "Shareholders") with the attendance certificate, sign-in card or other certificate of attendance. The Company shall not arbitrarily require a shareholder to provide other supporting documents in addition to those under which a shareholder attends the general meeting; The proxy acting on behalf of the shareholder shall provide ID document for verification.
- The Company shall have a visitors' book for the attending shareholders to sign in, or the attending shareholders shall issue the sign-in cards instead.
- The Company shall prepare meeting minutes, annual reports, attendance certificates, speech notes, votes for the meeting and the relevant materials, which shall be made available to the attending shareholders. Where directors or supervisors are elected, such materials shall be accompanied by a ballot.
- If a shareholder is a government or legal person, the representative attending a general meeting is not limited to one person. When a legal person is entrusted to attend a general meeting, only one representative may be appointed to attend such meeting.
- Article 3: A general meeting shall be convened at the place where the Company is located or at such places convenient for attendance by shareholders and suitable for convention. The meeting shall not begin earlier than 9:00 a.m. or later than 3:00 p.m. The opinions of independent directors shall be taken into full consideration when the time and place of a meeting are determined.
- Article 4: The chairman of the Board shall chair a general meeting if the meeting is convened by the Board of Directors. In case the chairman is on leave or absent or cannot exercise his/her power and authority for any cause, the deputy chairman shall act on his/her behalf, if the Company has no deputy chairman or the deputy chairman is also on leave or absent or cannot exercise his/her power and authority for any cause, the chairman of the Board shall designate one of managing directors to act on his/her behalf; if the Company has no managing directors, a director shall be designated to chair the meeting. In the absence of such a designation, the managing directors or directors shall elect one of their number to be chairman of the meeting.
- Any managing director or a director acting on behalf of the chairman described in the preceding paragraph has served for more than six months and is familiar with the Company's financial position and business operations. If a director as a legal person acts on behalf of the chairman of a general meeting, such director shall also meet such requirements.
- If a general meeting is called by the Board of Directors, the meeting shall be chaired by the chairman of the Board in person, and be attended by half or more of the directors and at least one supervisor in person, and by one member of each functional committee in proxy, with the information on attendance recorded in the general meeting minutes.
- If a general meeting is convened by any person entitled to convene the meeting other than a member of the Board, such person shall preside at the meeting. However, if there are two or more persons entitled to convene the meeting, the chairman of the meeting shall be elected from themselves.
- The Company may appoint the designated counsel, CPA or other related persons to attend the meeting.
- Article 5: The Company shall have the entire sign-in process, the process of a general meeting, and the voting and count of votes tape recorded or videotaped from the time of accepting the registration for attendance by shareholders.
- These tapes shall be preserved for at least one year. If a shareholder institutes legal proceedings in accordance with Article 189 of Taiwan's Company Act, the relevant audio or video recordings shall be retained until the legal proceedings are concluded.
- Article 6: The agenda of a general meeting shall be set by the Board of Directors if the meeting is convened by the Board of Directors. Unless otherwise resolved at the meeting, the meeting shall proceed in accordance with the agenda.
- The above provision applies *mutatis mutandis* to the cases where the meeting is convened by any person, other than a member of the Board of Directors, who is entitled to convene such meeting.
- Unless otherwise resolved at the general meeting, the chairman may not announce adjournment of the meeting before all the discussions (including extemporaneous motions) listed in the agenda are resolved. However, in the event that the chairman adjourns a general meeting in violation of these Procedural Procedures, other members of the Board shall assist the shareholders present thereat in designation of, by a majority of votes represented by the shareholders attending the meeting, one person as chairman to continue the meeting.

The proposed resolutions and amendments or extemporaneous motions put forward by shareholders shall be sufficiently discussed and described by the chairman. The chairman may announce to end the discussion of any resolution and put it to the vote if he/she deems it appropriate.

The shareholders cannot designate any other person as chairman and continue a general meeting in the same or other place after the meeting is adjourned.

Article 7: Shareholder(s) holding one percent or more of the total number of outstanding shares may propose in writing to the Company a proposal for discussion at a general meeting.

Prior to the date on which share transfer is suspended before the convention of a general meeting, the Company shall give a public notice announcing the place and the period for shareholders to submit proposals to be discussed at the general meeting; and the period for accepting such proposals shall not be less than ten (10) days.

The proposal of a shareholders deemed by the Board of Directors as excluded from any of the following circumstances shall be included in the agenda and the reasons for convening of the general meeting shall be stated therein:

Where the said proposal cannot be settled or resolved by a resolution to be adopted at the general meeting;

Where the number of shares of the Company in the possession of the shareholder making the said proposal is less than one percent (1%) of the total number of outstanding shares at the time when the share transfer is suspended by the company at the general meeting; and

Where the said proposal is not submitted by the deadline fixed in the public notice for accepting shareholders' proposals in the preceding paragraph.

Where one or more proposals are made by a shareholder, or a proposal is composed of more than three hundred words (including punctuation), or is not submitted in writing.

The Company shall, prior to the date of a general meeting, notify all the shareholders who have made proposals of the proposal screening results, and shall list in the meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders which are not included in the agenda of a general meeting, the cause of exclusion of such proposals shall be explained by the Board in the meeting minutes. There is no need to include such cause in the agenda or meeting minutes.

Article 8: Attendance at a general meeting shall be based on the number of shares. The number of shares held by the shareholders attending the meeting shall be calculated in accordance with the records of the visitors' book or attendance cards submitted by the shareholders, or the number of shares held by the shareholders who have exercised the voting rights in writing or in electric form.

The chairman shall call a general meeting to order at the time scheduled for the meeting. If the number of shares represented by the shareholders present at the meeting has not yet constituted the quorum at the time scheduled for the meeting, the chairman may postpone the time for the meeting. The postponements shall be limited to two times and meeting shall not be postponed for longer than one hour in the aggregate. If the number of one third of outstanding shares represented by the attending shareholders has not constituted the quorum after the meeting was postponed for two times, the chairman shall announce the meeting is dissolved. If after two postponements, the number of shares represented by the attending shareholders has not constituted more than one third of outstanding shares, a tentative resolution may be passed Paragraph 1 of Article 175 of the Taiwan's Company Act, and notified to shareholders for convening a general meeting within one month from the date of notification.

By the end of such meeting, if number of shares represented by the attending shareholders has already constituted more than one half of the outstanding shares, the chairman may put the tentative resolution to the vote at the general meeting again in accordance with Article 174 of the Taiwan's Company Act.

Article 9: When a shareholder present at the general meeting wishes to speak, a speech note shall be filled out with summary of the speech, the shareholder's account number (or the number of attendance certificate) and the account name of the shareholder. The sequence of speeches shall be decided by the chairman.

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

Unless otherwise permitted by the chairman, each shareholder shall not speak more than twice concerning the same item, and each speech shall not last more than 5 minutes. In case the speech of any shareholder violates this Paragraph or exceeds the scope of the agenda, the chairman may stop the speech of such shareholder.

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

If a corporate shareholder has designated two or more representatives to attend the general meeting, only one representative can speak for each discussion item.

After the speech of any attending shareholder, the chairman may respond himself/herself or appoint an appropriate person to respond.

Article 10: Voting at a general meeting shall be based on the number of shares.

The shares held by any shareholder without voting rights shall not be included in the total number of outstanding shares while voting on resolutions at the general meeting.

A Shareholder shall abstain from exercise of voting rights for himself/herself or on behalf of another shareholder in respect of any proposed matter for consideration at a general meeting if he/she bears personal interest therein that may conflict with and impair the interest of the Company.

The shares represented by the voting rights contained in the preceding paragraph shall not be counted in the number of votes of the shareholders present at the said meeting.

Article 11: The votes may be exercised in writing or in electronic form when a general meeting is held by the Company. Any shareholder who exercises voting rights in writing or in electronic form shall be deemed to have attended the general meeting in person, but shall be deemed to have waived his votes in respect of any ad hoc motions and the amendments to the contents of the original proposals at such general meeting.

Except as otherwise specified in the relevant laws or in the Articles of Association of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the general meeting.

Article 12: The person(s) to check and count the ballots during votes on agenda items shall be appointed by the chairman. The person(s) checking the ballots shall be a shareholder(s).

The votes cast at a general meeting or on election proposals shall be publicly counted at any general meeting venue, and the voting results (including statistical weight) shall be announced at the general meeting after the counting is finished, and placed on record.

Article 13: If there is amendment to or substitute for an original proposal, the chairman shall decide on the sequence of voting for such proposal, the amendment or the substitute. However, if any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.

Article 14: If the agenda of a general meeting is not completed for a reason, the time for the general meeting may be postponed or the time for intermission may be set to the extent determined by the chairman, without regard to Article 172 of the Taiwan's Company Act.

During the meeting, the chairman may, at his/her discretion, set time for intermission. In case of a *force majeure* event, the chairman may decide to temporarily suspend a general meeting and announce, depending on the situation, when the meeting will resume, or resume the meeting within five days by resolution of the shareholders present at the meeting, without further notice or public announcement.

Article 16: The persons transacting affairs of the Meeting shall wear identification cards or badges.

The chairman may direct inspectors or security guards to assist in keeping order at the meeting venue. Such inspectors or security guards shall wear badges or identification cards marked with "Inspectors" for identification purpose.

For those shareholders who use microphones other than those supplied at the meeting venue may be refrained from speaking by the order of the chairman.

Shareholders who violate the Procedural Rules and refuse to obey the instructions given by the chairman, the chairman may order inspectors or security guards to remove them from the meeting venue.

Article 17: The shareholders attending the general meeting shall have the obligation to observe meeting rules, obey resolutions and maintain order at the meeting venue.

Article 18: The matters not covered by these Procedural Rules shall be subject to Taiwan's Company Act, Securities and Exchange Act and other relevant regulations.

Article 19: The Procedural Rules as well as any amendment hereto shall become effective as soon as adopted at the general meeting.

EVERMORE CHEMICAL INDUSTRY CO., LTD.

Articles

Chapter I. General Principles

Article 1: The Company is organized according to Taiwan's Company Act as a company limited by shares, and is named 日勝化工股份有限公司 (English name: EVERMORE CHEMICAL INDUSTRY CO., LTD).

Article 2: The Company's business is as follows:

- I. Manufacture and sale of synthetic resin for coatings, printing ink, paper making, textile, construction, waterproof, and rubber, such as melamine resin, phthalic anhydride resin, acrylic resin, carboic acid resin, epoxy resin, urethane resin, urea resin, fluorene ketone resin, polyester resin, butylene diacid resin, etc.
- II. Manufacture and sale of synthetic chemical raw materials, such as glues, surface treatment agents, elastomer resin coatings, foam resins and processed product adhesives, safety agents and accelerants for plastic processing (except for controlled items).
- III. Manufacture and sale of resin additives and additives.
- IV. Import and export trade business related to the above-mentioned products.
- V. Business operations and investments related to the above-mentioned products.

Article 3: The Company is headquartered in Nantou County. If necessary, it may establish branch offices at home and abroad by the resolution of the Board of Directors.

Article 4: The Company shall make announcements in such manner as set forth in the provisions of Article 28 of Taiwan's Company Act.

Article 5: The transfer of investments by the Company is not subject to Article 13 of Taiwan's Company Act, and the Board of Directors is authorized to resolve on the matters relevant to transfer of investments.

Article 6: The Company may deal with the external guarantees between its peers or affiliated enterprises for business needs based on the principle of reciprocity, and in accordance with the Company's procedures for endorsements & guarantees.

Chapter II. Shares

Article 7: The total capital of the Company is NT\$1.2 billion, the par value is NT\$10 per share, no shares have been issued, the Board of Directors is authorized to issue shares in installments.

Article 8: The Company shall issue registered shares only. They shall be issued after being signed or sealed by three or more directors in accordance with the law. The shares issued by the Company are exempt from printing, but shall be registered with the securities centralized storage institutions.

Article 9: The matters of the Company in respect of shares shall be handled in accordance with the Criteria Governing Handling of Stock Affairs by Public Companies promulgated by the competent authorities.

Article 10: The transfer of shares shall be suspended within 60 days prior to the date of each general meeting, or within 30 days prior to the date of an extraordinary meeting, or within 5 days before the record date when the Company decides to distribute dividends and bonuses or other benefits.

Chapter III. General Meeting

Article 11: The meetings of shareholders shall be divided into general meetings and extraordinary meetings. A general meeting shall be held once a year within six months after the end of each fiscal year. An extraordinary meeting shall be convened according to law when necessary.

Article 12: When a shareholder is unable to attend the meeting for any reason, he/she shall issue a power of attorney issued by the Company, stating the scope of authorization and designating a proxy to attend on his/her behalf. In addition to the provisions of Article 177 of Taiwan's Company Act, the attendance of a shareholder at a meeting in proxy shall be subject to the Rules Governing the Use of Proxies for Attendance

at Shareholder Meetings of Public Companies promulgated by the competent authorities.

Article 13: At the time of a meeting of shareholders, the chairman of the Board shall be preside at the meeting. If the chairman of the Board is absent from the meeting, the chairman of the Board shall appoint one of the directors to act on his/her behalf. If not, the directors present shall elect one of their number to be chairman of the meeting.

Article 14: Except as otherwise provided for by the Act, each shareholder of the Company has one vote for each share it owns.

Article 15: Unless otherwise provided for by the Act, a resolution shall be adopted at a meeting of shareholders at which the shareholders representing a majority of outstanding shares are present by a majority of the votes represented by the attending shareholders.

Article 16: The meeting minutes shall be prepared for the resolutions at a meeting of shareholders, signed or sealed by the chairman, and distributed to the shareholders within 20 days after the meeting is dissolved. The production and distribution of the minutes described in the preceding paragraph shall be subject to Article 183 of Taiwan's Company Act.

Chapter IV Directors and Supervisors

Article 17: The Company has seven directors and three supervisors, all of whom are elected at the meeting of shareholders from capable persons. They will serve for a term of three years, and may be re-elected following appointment. The directors and supervisors shall be elected by way of nomination of candidates. The number of independent directors in the Board of Directors shall be no less than two persons, *i.e.* one-fifth of the number of directors to be elected.

Article 18: Whenever a vacancy in the Board of Directors is up to one third of members or all of the supervisors are relieved of their office, the Board of Directors shall convene an ad hoc meeting within 60 days for by-election, and the term of office shall be limited to the original term.

Article 19: When the term of office for a director or supervisor expires without re-election, the term of his/her office shall be extended until the re-elected director or supervisor takes office.

Article 20: The Board of Directors shall be composed of directors, more than two-thirds of directors present at a meeting of the Board of Directors shall elect one of their number to be chairman of the Board by the majority of votes of the directors. The Board of Directors shall manage the Company's affairs in accordance with the Act, Articles, and the resolutions adopted at the meetings of shareholders and the Board of Directors. Without regard to operating profits and losses, the Company has to pay remuneration to the chairman of the Board, at such amount as determined by the Board of Directors authorized by the Company based on the chairman's level of participation in the Company's business operations and contribution to the Company, and with reference to the standard practice of the industry.

Article 21: The Company's business policies and other important matters shall be resolved by the Board of Directors. Except to the extent that the first meetings of the Board are held in accordance with the provisions of Article 203 of Taiwan's Company Act, the rest of meetings are convened and chaired by the chairman of the Board. When the chairman of the Board is unable to perform his/her duties, he/she shall appoint one of the directors to act on his/her behalf. If not, the directors present shall elect one from them to be chairman of the meeting. The notice of a meeting of the Board of Directors may be sent to the directors and supervisors in writing, via E-mail or by fax transmission, indicating the reasons for convening such meeting.

Article 22: The meetings of the Board of Directors, except as otherwise stipulated in Taiwan's Company Act, requires the attendance by a majority of the directors with unanimous consent of half or more of the attending directors. If a director is unable to attend the meeting for any reason, it shall issue a power of attorney, indicating the reasons for convening and the scope of authorization, to appoint another director to attend the meeting on his/her behalf, however, provided that only one person shall be appointed.

Article 23: The meeting minutes shall be prepared for the resolutions at a meeting of the Board, signed or sealed by the

chairman, and distributed to the directors within 20 days after the meeting is dissolved.

Article 24: A supervisor shall, in addition to exercising the power of supervision in accordance with the law, may attend the meetings of the Board of Directors, but may not participate in the voting.

Article 25: When the directors and supervisors of the Company carry out the business for the Company, regardless of the operating profits and losses, the Company shall pay traffic allowance to them at such amount as determined by the Board of Directors.

The remuneration for the directors and supervisors of the Company shall be determined by the Board of Directors based on their level of participation in the Company's business operations and contribution to the Company, and with reference to the standard practice of the industry.

The Company may take out insurance against the liability for damages to be assumed by the directors and supervisors within the scope of business during their tenure in accordance with the law.

As a director of the Company is also an employee of the Company, he/she shall be paid remuneration regardless of the operating profits and losses, at such amount as determined in accordance with the "Measures for Management of the Compensation for New Hires" of the Company and with reference to the standard practice of the industry.

Chapter V Managers and Staff

Article 26: The Company may have a manager for whom the appointment, dismissal and remuneration shall be handled in accordance with the provisions of Article 29 of Taiwan's Company Act.

Article 27: The Company may, by a resolution adopted by the Board of Directors in accordance with Article 22 of the Articles, appoint a consultant and important staff members.

Chapter VI Accounting

Article 28: The accounting year of the Company shall commence on January 1 of each year and expire on December 31 of that year, and final accounting shall be conducted at the end of each accounting year. The following documents shall be prepared by the Board of Directors and submitted at the general meeting for approval after being reviewed by supervisors within 30 days before the date of the general meeting: 1. Business Report; 2. Financial statements; and 3. Proposal for distribution of earnings or allowance for losses.

Article 29: If the Company makes profits in the year, 3% to 5% of the profits shall be reserved to pay employee remuneration and no more than 2% of the profits reserved to pay director and supervisor remuneration. However, if the Company has accumulated losses, the profits shall be reserved in advance to cover the losses.

The employee remuneration described in the preceding paragraph shall be paid in the form shares or in cash as determined by the Board of Directors, and the employees to whom the Company pays remuneration shall include the employees of the affiliated companies that meet certain conditions.

Article 21: If there are surpluses in the Company's final accounts, taxes and accumulated losses shall be paid out of such surpluses first, 10% of them shall be set aside as statutory surplus reserves, a provision for or reversal of special surplus reserves shall be made according to law, with the balance of such earnings (if any) paid to shareholders as dividends after a resolution is adopted at the general meeting.

Chapter VII Policy for Declaration of Dividends

Article 30: The Company is engaged in the manufacture and sale of PU resin. It is a technology-intensive, mature and profitable chemical industry. Due to the need for technological upgrading, it is possible for the Company to expand its factories in the next few years. With reference to the remaining dividend policy and to the extent meeting optimal capital budget and the requirements for dilution of earnings per share, the annual surpluses allocated per year account for at least 50% of the surpluses available for distribution in principle, when dividends are declared to shareholders, the proportion of cash dividends shall not be less than 25%.

Chapter VIII Supplementary Provisions

Article 31: The organizational procedures and the detailed rules of procedure for the Company shall be determined by

the Board of Directors.

Article 32: The matters not covered by the Articles of Association shall be dealt with in accordance with the provisions of Taiwan's Company Act and other laws and regulations.

Article 33: These Articles were made effective as of April 24, 1989. The 1st amendment hereto was made on May 9, 1989; The 2nd amendment hereto was made on April 2, 1991; The 3rd amendment hereto was made on October 7, 1992; The 4th amendment hereto was made on November 29, 1994; The 5th amendment hereto was made on October 22, 1995; The 6th amendment hereto was made on June 9, 1996; The 7th amendment hereto was made on June 10, 1997; The 8th amendment hereto was made on August 15, 1997; The 9th amendment hereto was made on September 5, 1997; The 10th amendment hereto was made on June 17, 1998; The 11th amendment hereto was made on June 2, 1999; The 12th amendment hereto was made on May 24, 2000; The 13th amendment hereto was made on May 11, 2001; The 14th amendment hereto was made on April 16, 2002; The 15th amendment hereto was made on June 8, 2005; The 16th amendment hereto was made on June 19, 2006; The 17th amendment hereto was made on June 22, 2007; The 18th amendment hereto was made on June 12, 2008; The 19th amendment hereto was made on June 8, 2010; The 20th amendment hereto was made on June 12, 2012; The 21st amendment hereto was made on June 22, 2015; The 22nd amendment hereto was made on June 23, 2016; The 23rd amendment hereto was made on June 22, 2017, and the 24th amendment hereto was made on March 7, 2018.



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