

Stock Code : 1309

**Taita Chemical Company, Limited**

**Handbook for the**

**2018 Annual General Meeting**

**of Shareholders**

**Date : June 22, 2018**

**Location : 5F., No.2, Yuanshan Rd., Niasong Dist.,**

**Kaohsiung City 83341, Taiwan (R.O.C.)**

**The Grand Hotel Kaohsiung, Po Shou Hall**

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**Taita Chemical Company, Limited**  
**Procedure of the 2018 Annual General Meeting**  
**of Shareholders**

1. Announcement of the Commencement of the Meeting
2. Chairperson Takes Chair
3. Opening Speech of the Chairperson
4. Report Items
5. Matters for Ratification and Discussion (I)
6. Elections
7. Matters for Discussion (II)
8. Extemporaneous Motions
9. Adjournment

# **Taita Chemical Company, Limited**

**Year 2018**

## **Agenda of Annual General Meeting of Shareholders**

Date : June 22, 2018 (Friday) AM 09:00

Location : 5F., No.2, Yuanshan Rd., Niasong Dist.,  
Kaohsiung City 83341, Taiwan (R.O.C.)  
The Grand Hotel Kaohsiung, Po Shou Hall

### **1. Report Items :**

- (1) To report 2017 operating results.
- (2) To report Audit Committee's Review Reports of 2017 Financial Statement.
- (3) To report 2017 remuneration of directors and employees.
- (4) To report the amendment to Parliamentary Rules for Directors' Meetings.
- (5) To report the progress and plan of 2017 Corporate Social Responsibility Report.

### **2. Matters for Ratification and Discussion (I)**

- (1) To ratify 2017 business report and financial statements.
- (2) To ratify 2017 earnings distribution.
- (3) To approve the amendment to the Operating Procedure for Making of Endorsements/Guarantees.

### **3. Elections**

To elect nine directors.

### **4. Matters Discussion (II)**

To approve the permission of directors for competitive actions.

### **5. Extemporary Motions**

### **6. Adjournment**

## **I. Report Items**

### **Report 1**

To report 2017 operating results.

### **Taita Chemical Company, Limited.**

### **2017 Business Report**

In 2017, the net revenue was NT\$13.133billion, NT\$3.436 billion more or up by 35%, compared to NT\$9.697 billion last year, with a budget achievement rate of 133%. The net profit before and after tax was NT\$575 million and NT\$502 million, respectively, with an Earnings per share amounting to NT\$1.53.

In operations in the ABS/PS sector, a steady growth was seen in China's appliance market in 2017, which spurred the demand for ABS plastics. With the combined efforts by both the production and sales units, ABS production and sales volume increased progressively. The operation rate of newly added TOYO SAN production line boosted up to 100% in the 2<sup>nd</sup> half of 2017. Both the volume and profits from ABS sales hit new highs in history. In GPS and EPS, due to the severe competition in the market and the volatile fluctuation of styrene monomer (SM), which is the major raw material, the selling price of GPS and EPS could not break even the full cost. Adding the losses due to suspension of production, there was no profit for GPS and EPS in 2017. The 2017 performance of individual product ranges is as follows:

ABS sales were 112,000 MT, up by 33% from last year and the ABS output was 111,000 MT. The annual profit was NT\$494

million.

GPS/IPS sales were 84,500 MT, up by 4% from last year and GPS/IPS output was 81,500MT, a loss of NT\$32 million. EPS sales were about 50,000 MT, 4% up from last year, lost NT\$47 million.

The combined ABS/PS sales volume was 247,500 MT, 33,000 MT more than last year, with a budget achievement rate of 105%. The ABS/PS output was 242,500 MT, 29,500 MT more than last year, with a budget achievement rate of 102% and a revenue of NT\$11.782 billion, NT\$3.043 billion more than last year, and an operating income of NT\$456 million.

The glass wool product output was 7,200 MT less due to the annual furnace maintenance. Along with the imported rock wool, the total sales volume in 2017 was 12,000 MT, revenue was NT\$445 million, with a profit of NT\$32 million, NT\$7 million less than last year. The sales volume of curved surface printing products was 121,000 JIG, with a revenue of NT\$98 million adequate to break even with the cost, due to the spread reduction caused by the reduction of printing volume of automotive parts. The enterprise-wide operating income plus income from material sales were NT\$478 million.

In non-operating income, subsidiaries TTC (ZS) set a new high over the year, and TTC (TJ) was still in a loss due to weakness market demand in North China. The total non-operating income were NT\$97 million and the information of non-operating income were as follow : share of profit of subsidiaries and associates NT\$166 million, rental income NT\$23 million, exchange loss NT\$57 million, loss on financial assets

(liabilities) held for trading NT\$22 million, and interest expense NT\$19 million.

Looking forward to the year of 2018, the downstream demand for ABS products is expected to continue buoyant. We will aim at maximizing both production and sales of ABS to achieve maximum profitability. In PS products, we will continue to cultivate new customers, increase facility utilization, and lower the inventory of raw materials and finished products to avoid the high inventory risk as the materials price falls. We will also actively develop CUBIC and engage in automotive products and coatings to raise facility utilization. As for glass wool, we will constantly promote the sale of fire-retardant wool to boost domestic sales. We will also continue to increase the proportion of exports to Australia, New Zealand and South Africa to increase overall profits, hoping to bolster the operational performance of each production line and thereby increase profits.

Chairman : Wu, Yih-Guei

President : Wu, Pei-Chi

Chief Accounting Office : Lin, Jin-Cai

## **Report Items**

### **Report 2**

To report Audit Committee's Review Reports of 2017 Financial Statement.

## **Taita Chemical Company, Limited**

### **Audit Report**

This Audit Committee has audited the 2017 Business Report produced by the Board of Directors, the financial statements (including individual and consolidated financial statements) audited and certified by CPA Shih-Tsung Wu and CPA Tzu-Jung Kuo of Deloitte Taiwan, and the proposal for profit distribution and found no nonconformity. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, this report is presented for approval to AGM.

To

The 2018 Annual General Meeting of Shareholders

Audit Committee, Taita Chemical Company, Limited

Independent Director : Tyan Wen Chen

Independent Director : Ma Yi-Kung

Independent Director : James Yuan

March 12, 2018



## Report Items

### Report 3

To report 2017 remuneration of directors and employees.

Description : 1. Compensation for directors and employees shall be handled in accordance with Article 25 of the Articles of Incorporation : “Should there be profit after the annual closing of books, this Company shall appropriate not more than 1% as compensation for directors and no less than 1% as compensation for employees. Should there be cumulative deficits, the amount for covering the losses of previous years shall first be retained.”

2. The compensation for employees in 2017 will be distributed in cash at 1%, NT\$2,875,461, of the 2017 earnings, and no compensation will be distributed to directors.

## **Report Items**

### Report 4

To report the amendment to Parliamentary Rules for Directors' Meetings.

Description : 1. Part of the "Parliamentary Rules for Directors' Meetings" is amended in accordance with the amendment to the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" promulgated by the Financial Supervisory Commission.

2. The content of amended provisions to the "Parliamentary Rules for Directors' Meetings" is shown in the next page.

# Taita Chemical Company, Limited

## The Amendment to the “Parliamentary Rules for Directors' Meetings”

After amendment	Before amendment	Description
<p>Article 7: The Company shall submit the following items for discussion by the Board of Directors:</p> <p>I. The Company’s business plan</p> <p>II. Annual and semi-annual financial reports with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be audited and attested by a certified public accountant (CPA).</p> <p>III. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act, <u>and an assessment on effectiveness of the internal control system.</u></p> <p>IV. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposition of assets, derivatives trading, funding to others, and endorsements or guarantees for others.</p> <p>V. Offering, issuance, or private placement of any equity-type securities.</p> <p>VI. Appointment or discharge of a financial, accounting, or internal audit officer.</p> <p>VII. A donation to a stakeholder or a major donation to a non-stakeholder, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to next directors’ meeting for retroactive recognition.</p> <p>VIII. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or Articles of Incorporation to be</p>	<p>Article 7: The Company shall submit the following items for discussion by the Board of Directors:</p> <p>I. The Company’s business plan</p> <p>II. Annual and semi-annual financial reports with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be audited and attested by a certified public accountant (CPA).</p> <p>III. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.</p> <p>IV. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposition of assets, derivatives trading, funding to others, and endorsements or guarantees for others.</p> <p>V. Offering, issuance, or private placement of any equity-type securities.</p> <p>VI. Appointment or discharge of a financial, accounting, or internal audit officer.</p> <p>VII. A donation to a stakeholder or a major donation to a non-stakeholder, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to next directors’ meeting for retroactive recognition.</p> <p>VIII. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or Articles of Incorporation to be approved by resolution at a shareholders' meeting or directors’</p>	<p>Amendments made in accordance with the amendment to the “Regulations Governing Procedure for Board of Directors Meetings of Public Companies” promulgated by the Financial Supervisory Commission.</p>

<p>approved by resolution at a shareholders' meeting or directors' meeting, or any such significant matter as may be prescribed by the competent authority.</p> <p>The term "stakeholder" referred to in Subparagraph 7 of the preceding paragraph means a stakeholder as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-stakeholder" means any individual donation, or cumulative donations within the preceding year to a single recipient at an amount of NT\$5 million or more.</p> <p>The term "with the preceding year" in the preceding paragraph means a period of one (1) year calculated retroactively from the date on which the current directors' meeting is convened. Amounts already submitted to and passed by a resolution of the Board are exempted from inclusion in the calculation.</p> <p><u>At least one independent director of the Company shall attend each directors' meeting in person. In the case of a meeting concerning any matter required to be submitted for a resolution by a directors' meeting under Paragraph 1, each independent director shall attend the meeting in person. If an independent director is unable to attend the meeting in person, he or she shall appoint another independent director to attend the meeting as his or her proxy. If an independent director expresses any objection or reservation about a matter, it shall be recorded in the directors' meeting minutes. An independent director intending to express an objection or reservation but unable to attend the meeting in person shall, unless there is some justified reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes.</u></p>	<p>meeting, or any such significant matter as may be prescribed by the competent authority.</p> <p>The term "stakeholder" referred to in Subparagraph 7 of the preceding paragraph means a stakeholder as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-stakeholder" means any individual donation, or cumulative donations within the preceding year to a single recipient at an amount of NT\$5 million or more.</p> <p>The term "with the preceding year" in the preceding paragraph means a period of one (1) year calculated retroactively from the date on which the current directors' meeting is convened. Amounts already submitted to and passed by a resolution of the Board are exempted from inclusion in the calculation.</p> <p><u>An independent director shall attend personally or be represented by another independent director for matters that shall be resolved by a board meeting as specified in Articles 14-3 of the Securities and Exchange Act. If an independent director expresses any objection or reservation about a matter, it shall be recorded in the directors' meeting minutes. An independent director intending to express an objection or reservation but unable to attend the meeting in person shall, unless there is some justified reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes.</u></p>	
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## Report Items

### Report 5

To report the progress and plan of 2017 Corporate Social Responsibility Report.

Description : The company summarizes 2017 corporate social responsibility management directives and execution progress, and prepares the corporate social responsibility report. The progress report is as follows:

1. Governance, environmental and social topics relating to the Company are selected in conformity with GRI G4 Sustainability Reporting Guidelines (GRI G4), the topics that concern the petrochemical industry and the United Nations Sustainable Development Goals (SDGs).
2. The draft has been completed so far and the Chinese version will be published by the end of August.

## **II. Matters for Ratification and Discussion (I)**

### Proposal 1

Proposed by the Board

To ratify 2017 business report and financial statements.

Description: 1. The 2017 financial statements (including individual and consolidated financial statements) approved by the Board on March 12, 2017 are audited by CPA Shih-Tsung Wu and CPA Tzu-Jung Kuo of Deloitte Taiwan and the Audit Committee for the record.

2. Please refer to p. 4-6 of this Handbook for the 2017 Business Report and p. 14-33 for the CPA Audit Report and the financial statements.

Resolution :

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Taita Chemical Co., Ltd.

### Opinion

We have audited the accompanying financial statements of Taita Chemical Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2017 and 2016, 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, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### 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, 2017. 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 for the Company's financial statements for the year ended December 31, 2017 are stated as follows:

#### Appropriateness of Revenue Recognition

For the year ended December 31, 2017, the Company's sales revenue was NT\$13,132,796 thousand, which was approximately 35% higher than the sales revenue for the year ended December 31, 2016 of NT\$9,697,443 thousand. The growth of sales revenue is affected by the market demand and rising prices in the international crude oil market. The Company recognized sales revenue based on the delivery of goods and the transfer of significant risks and rewards of ownership. According to the limited concentration of customers and the large volume of transactions, the Company's financial statement would be influenced by the material misstatement of revenue recognition. Thus, the recognition of revenue is identified as one of the key audit matters.

For the accounting policy and judgments related to revenue recognition, refer to Note 4 to the financial statements.

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

1. Understood and tested the design and operating effectiveness of revenue recognition, and evaluated the appropriateness of accounting policies of revenue recognition used by the

Company's management;

2. Sampled the transaction documents of sales revenue, including purchase orders, shipping documents, billings of orders, and receipt documents, to confirm whether the significant risks and rewards of ownership of the goods had been transferred to the buyer and to confirm the rationality of the timing of revenue recognition on specific sales;
3. Sampled the collections after the balance sheet date to confirm the reasonableness of revenue recognition and consistency between the sales target and recipient.

#### Recognition of Net Defined Benefit Liabilities

As of December 31, 2017, the carrying amount of net defined benefit liabilities was estimated to be NT\$604,347 thousand and account for 17% of the total liabilities for the financial statements as a whole. The amount of net defined benefit liabilities comes from actuaries' reports. The underlying assumptions utilized in the actuarial report were dependent on management's judgment and estimates, which are highly uncertain. Thus, the recognition of net defined benefit liabilities, in our professional judgment, is identified as one of the key audit matters.

For the estimates and judgments related to the recognition of net defined benefit liabilities, refer to Notes 4, 5 and 21 to financial statements.

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

1. Evaluated the professional capacity, competency, objectivity and qualification of the independent actuaries engaged by management.
2. Understood and tested the reasonability of the information which management used in the actuarial analyses.
3. Compared the methodology and major assumption, including discount rates and expected wage growth rates, along with market sensitive information and specific historical data, used by management in order to assess the appropriateness of management's judgment.

#### **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 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 members of the audit committee) 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, 2017 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 Shih-Tsung Wu and Tzu-Jung Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 12, 2018

# TAITA CHEMICAL CO., LTD.

## BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 72,610	1	\$ 175,048	2
Financial assets at fair value through profit or loss - current	306,110	4	324,829	5
Debt investments with no active market - current	3,000	-	8,000	-
Notes receivable	37,929	-	47,458	1
Accounts receivable	1,472,047	20	961,340	14
Accounts receivable from related parties	62,872	1	13,630	-
Other receivables	62,542	1	59,056	1
Other receivables from related parties	165,599	2	177,581	2
Current tax assets	778	-	1,849	-
Inventories	899,437	12	1,014,962	14
Prepayments	81,713	1	57,702	1
Other current assets	896	-	1,373	-
Total current assets	<u>3,165,533</u>	<u>42</u>	<u>2,842,828</u>	<u>40</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets - non-current	242,944	3	233,686	3
Financial assets measured at cost - non-current	1,700	-	1,700	-
Investments accounted for using the equity method	1,910,046	25	1,735,298	25
Property, plant and equipment	1,947,650	26	1,937,859	28
Investment properties	108,178	2	108,178	2
Other intangible assets	11,068	-	16,159	-
Deferred tax assets	118,601	2	152,931	2
Other non-current assets	23,176	-	22,228	-
Total non-current assets	<u>4,363,363</u>	<u>58</u>	<u>4,208,039</u>	<u>60</u>
<b>TOTAL</b>	<u>\$ 7,528,896</u>	<u>100</u>	<u>\$ 7,050,867</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 120,000	2	\$ 300,000	4
Short-term bills payable	189,923	3	349,908	5
Financial liabilities at fair value through profit or loss - current	624	-	1,593	-
Accounts payable	1,238,591	16	992,737	14
Accounts payable from related parties	495	-	489	-
Other payables	247,530	3	178,577	3
Other payables from related parties	8,385	-	7,411	-
Current tax liabilities	37,888	1	957	-
Provisions - current	1,179	-	1,102	-
Other current liabilities	11,502	-	8,474	-
Total current liabilities	<u>1,856,117</u>	<u>25</u>	<u>1,841,248</u>	<u>26</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings	1,000,000	13	1,000,000	14
Deferred tax liabilities	161,402	2	160,776	2
Net defined benefit liabilities - non-current	604,347	8	667,294	10
Other non-current liabilities	1,480	-	2,431	-
Total non-current liabilities	<u>1,767,229</u>	<u>23</u>	<u>1,830,501</u>	<u>26</u>
Total liabilities	<u>3,623,346</u>	<u>48</u>	<u>3,671,749</u>	<u>52</u>
<b>EQUITY</b>				
Share capital	3,276,518	43	3,276,518	47
Capital surplus	469	-	469	-
Retained earnings				
Special reserve	308,061	4	308,061	4
Unappropriated earnings (accumulated deficits)	197,920	3	(289,879)	(4)
Total retained earnings	505,981	7	18,182	-
Other equity	122,582	2	83,949	1
Total equity	<u>3,905,550</u>	<u>52</u>	<u>3,379,118</u>	<u>48</u>
<b>TOTAL</b>	<u>\$ 7,528,896</u>	<u>100</u>	<u>\$ 7,050,867</u>	<u>100</u>

# TAITA CHEMICAL CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
NET REVENUE	\$ 13,132,796	100	\$ 9,697,443	100
OPERATING COSTS	<u>12,055,131</u>	<u>92</u>	<u>9,141,299</u>	<u>94</u>
GROSS PROFIT	<u>1,077,665</u>	<u>8</u>	<u>556,144</u>	<u>6</u>
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>(606)</u>	<u>-</u>	<u>-</u>	<u>-</u>
REALIZED LOSS ON TRANSACTIONS WITH SUBSIDIARIES	<u>-</u>	<u>-</u>	<u>(1,556)</u>	<u>-</u>
OPERATING EXPENSES				
Selling and marketing expenses	443,763	4	385,344	4
General and administrative expenses	134,397	1	140,057	2
Research and development expenses	<u>21,291</u>	<u>-</u>	<u>18,477</u>	<u>-</u>
Total operating expenses	<u>599,451</u>	<u>5</u>	<u>543,878</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>477,608</u>	<u>3</u>	<u>10,710</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	51,276	1	48,007	-
Other gains and losses	(91,966)	(1)	(25,763)	-
Share of profit of subsidiaries and associates	162,782	1	113,271	1
Finance costs	<u>(25,151)</u>	<u>-</u>	<u>(23,047)</u>	<u>-</u>
Total non-operating income and expenses	<u>96,941</u>	<u>1</u>	<u>112,468</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	574,549	4	123,178	1
INCOME TAX EXPENSE	<u>(72,470)</u>	<u>-</u>	<u>(2,301)</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>502,079</u>	<u>4</u>	<u>120,877</u>	<u>1</u>

(Continued)

# TAITA CHEMICAL CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	\$ (16,836)	-	\$ (36,316)	-
Share of the other comprehensive income of subsidiaries and associates accounted for using the equity method - remeasurement of defined benefit plans	(306)	-	(3,440)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>2,862</u>	<u>-</u>	<u>6,174</u>	<u>-</u>
	<u>(14,280)</u>	<u>-</u>	<u>(33,582)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	17,783	-	(162,428)	(2)
Unrealized gain on available-for-sale financial assets	12,684	-	41,824	1
Share of the other comprehensive income of associates accounted for using the equity method	11,189	-	9,731	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(3,023)</u>	<u>-</u>	<u>27,613</u>	<u>-</u>
	<u>38,633</u>	<u>-</u>	<u>(83,260)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>24,353</u>	<u>-</u>	<u>(116,842)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>				
	<u>\$ 526,432</u>	<u>4</u>	<u>\$ 4,035</u>	<u>-</u>
<b>EARNINGS PER SHARE</b>				
Basic	<u>\$ 1.53</u>		<u>\$ 0.37</u>	
Diluted	<u>\$ 1.53</u>		<u>\$ 0.37</u>	

(Concluded)

**TAITA CHEMICAL CO., LTD.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(In Thousands of New Taiwan Dollars)**

	Share Capital - Ordinary Shares		Capital Surplus	Retained Earnings (Accumulated Deficits)			Exchange Differences on Translating Foreign Operations	Other Equity		Total Equity
	Shares (In Thousands)	Amount		Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Total		Unrealized Gain on Available-for-sale Financial Assets	Total	
BALANCE AT JANUARY 1, 2016	327,652	\$ 3,276,518	\$ 469	\$ 308,061	\$ (377,174)	\$ (69,113)	\$ 45,413	\$ 121,796	\$ 167,209	\$ 3,375,083
Net profit for the year ended December 31, 2016	-	-	-	-	120,877	120,877	-	-	-	120,877
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	(33,582)	(33,582)	(137,708)	54,448	(83,260)	(116,842)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	87,295	87,295	(137,708)	54,448	(83,260)	4,035
BALANCE, DECEMBER 31, 2016	327,652	3,276,518	469	308,061	(289,879)	18,182	(92,295)	176,244	83,949	3,379,118
Net profit for the year ended December 31, 2017	-	-	-	-	502,079	502,079	-	-	-	502,079
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(14,280)	(14,280)	13,911	24,722	38,633	24,353
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	487,799	487,799	13,911	24,722	38,633	526,432
BALANCE, DECEMBER 31, 2017	<u>327,652</u>	<u>\$ 3,276,518</u>	<u>\$ 469</u>	<u>\$ 308,061</u>	<u>\$ 197,920</u>	<u>\$ 505,981</u>	<u>\$ (78,384)</u>	<u>\$ 200,966</u>	<u>\$ 122,582</u>	<u>\$ 3,905,550</u>

# TAITA CHEMICAL CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 574,549	\$ 123,178
Adjustments for:		
Depreciation expenses	134,935	137,888
Amortization expenses	5,091	7,177
Reversal of impairment losses on accounts receivable	-	(383)
Net loss on fair value change of financial assets and liabilities held for trading	28,343	11,019
Finance costs	25,151	23,047
Interest income	(7,449)	(8,273)
Dividend income	(7,262)	(7,262)
Share of profit of subsidiaries and associates	(162,782)	(113,271)
Loss on disposal of property, plant and equipment	100	27
(Gain) loss on disposal of investments	(3,311)	24
Unrealized gain on the transactions with subsidiaries	606	-
Realized loss on the transactions with subsidiaries	-	1,556
Recognition of provisions	9,490	8,243
Changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	(10,593)	(1,411)
Notes receivable	9,529	(9,393)
Accounts receivable	(520,120)	124,794
Accounts receivable from related parties	(49,242)	(6,924)
Other receivables	(3,662)	(640)
Other receivables from related parties	11,982	(95,633)
Inventories	115,525	(177,036)
Prepayments	(24,011)	(2,282)
Other current assets	477	579
Accounts payable	245,854	268,000
Accounts payable from related parties	6	(715)
Other payables	61,710	9,888
Other payables from related parties	974	(417)
Other current liabilities	3,028	(1,156)
Net defined benefit liabilities	(79,783)	7,022
Cash generated from operations	359,135	297,646
Interest received	7,625	8,101
Interest paid	(25,594)	(23,166)
Income tax received	327	92
Net cash generated from operating activities	<u>341,493</u>	<u>282,673</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of available-for-sale financial assets	-	(172)
Proceeds from return of capital of available-for-sale financial assets	6,737	190
Increase in debt investments with no active market	-	(1,000)
Decrease in debt investments with no active market	5,000	-

(Continued)

# TAITA CHEMICAL CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
Proceeds from sale of financial assets measured at cost	\$ -	\$ 1,050
Payments for property, plant and equipment	(137,319)	(120,061)
Proceeds from disposal of property, plant and equipment	194	-
Increase in refundable deposits	(948)	(6,125)
Payments for intangible assets	-	(240)
Dividends received	<u>23,356</u>	<u>16,543</u>
Net cash used in investing activities	<u>(102,980)</u>	<u>(109,815)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(180,000)	(234,041)
Decrease (increase) in short-term bills payable	(160,000)	50,000
Proceeds from long-term borrowings	8,100,000	3,400,000
Repayments of long-term borrowings	(8,100,000)	(3,400,000)
Decrease (increase) in other non-current liabilities	<u>(951)</u>	<u>141</u>
Net cash used in financing activities	<u>(340,951)</u>	<u>(183,900)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(102,438)	(11,042)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>175,048</u>	<u>186,090</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 72,610</u>	<u>\$ 175,048</u>

(Concluded)



## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Taita Chemical Co., Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of Taita Chemical Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, 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.

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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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, 2017. 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 for the Group's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

#### Appropriateness of Revenue Recognition

For the year ended December 31, 2017, the Group's consolidated sales revenue was NT\$19,821,042 thousand, which was approximately 21% higher than the consolidated sales revenue for the year ended December 31, 2016 of NT\$16,419,055 thousand. The growth of sales revenue is affected by the market demand and rising prices in the international crude oil market. The Group recognized sales revenue based on the delivery of goods and the transfer of significant risks and rewards of ownership. According to the limited concentration of customers and the large volume of transactions, the Group's consolidated financial statement would be influenced by the material misstatement of revenue recognition. Thus, the recognition of revenue is identified as one of the key audit matters.

For the accounting policy and judgments related to revenue recognition, refer to Note 4 to the consolidated

financial statements.

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

1. Understood and tested the design and operating effectiveness of revenue recognition, and evaluated the appropriateness of accounting policies of revenue recognition used by the Group's management;
2. Sampled the transaction documents of sales revenue, including purchase orders, shipping documents, billings of orders, and receipt documents, to confirm whether the significant risks and rewards of ownership of the goods had been transferred to the buyer and to confirm the rationality of the timing of revenue recognition on specific sales;
3. Sampled the collections after the balance sheet date to confirm the reasonableness of revenue recognition and consistency between the sales target and recipient.

#### Recognition of Net Defined Benefit Liabilities

As of December 31, 2017, the carrying amount of net defined benefit liabilities was estimated to be NT\$604,347 thousand and account for 12% of the total liabilities for the consolidated financial statements as a whole. The amount of net defined benefit liabilities comes from actuaries' reports. The underlying assumptions utilized in the actuarial report were dependent on management's judgment and estimates, which are highly uncertain. Thus, the recognition of net defined benefit liabilities, in our professional judgment, is identified as one of the key audit matters.

For the estimates and judgments related to the recognition of net defined benefit liabilities, refer to Notes 4, 5 and 23 to the consolidated financial statements.

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

1. Evaluated the professional capacity, competency, objectivity and qualification of the independent actuaries engaged by management.
2. Understood and tested the reasonability of the information which management used in the actuarial analyses.
3. Compared the methodology and major assumption, including discount rates and expected wage growth rates, along with market sensitive information and specific historical data, used by management in order to assess the appropriateness of management's judgment.

#### **Other Matter**

We have also audited the parent company only financial statements of Taita Chemical Co., Ltd. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified report.

#### **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 members of the audit committee) 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, 2017 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 Shih-Tsung Wu and Tzu-Jung Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 12, 2018

**TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2017 AND 2016**  
**(In Thousands of New Taiwan Dollars)**

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 504,846	6	\$ 606,623	7
Financial assets at fair value through profit or loss - current	306,110	4	405,241	5
Debt investments with no active market - current	92,292	1	99,224	1
Notes receivable	680,817	8	558,126	7
Accounts receivable	2,226,772	25	1,622,533	19
Accounts receivable from related parties	4,058	-	13,630	-
Other receivables	117,172	1	84,493	1
Other receivables from related parties	5,803	-	6,970	-
Current tax assets	778	-	1,849	-
Inventories	1,263,858	14	1,404,896	17
Prepayments	110,466	1	121,635	1
Other current assets	252	-	1,393	-
Total current assets	<u>5,313,224</u>	<u>60</u>	<u>4,926,613</u>	<u>58</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets - non-current	242,944	3	233,686	3
Financial assets measured at cost - non-current	2,683	-	6,016	-
Investments accounted for using the equity method	524,732	6	491,902	6
Property, plant and equipment	2,418,756	28	2,444,205	29
Investment properties	108,178	1	108,178	1
Other intangible assets	11,068	-	16,159	-
Deferred tax assets	129,546	2	187,292	2
Long-term prepayments for leases	37,082	-	39,119	1
Other non-current assets	23,222	-	23,650	-
Total non-current assets	<u>3,498,211</u>	<u>40</u>	<u>3,550,207</u>	<u>42</u>
<b>TOTAL</b>	<u>\$ 8,811,435</u>	<u>100</u>	<u>\$ 8,476,820</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 1,071,568	12	\$ 1,380,376	16
Short-term bills payable	189,923	2	349,908	4
Financial liabilities at fair value through profit or loss - current	624	-	1,593	-
Accounts payable	1,443,241	17	1,207,219	14
Accounts payable from related parties	495	-	489	-
Other payables	327,767	4	254,742	3
Other payables from related parties	8,588	-	22,258	-
Current tax liabilities	74,505	1	27,608	1
Provisions - current	1,179	-	1,102	-
Other current liabilities	14,663	-	15,445	-
Total current liabilities	<u>3,132,553</u>	<u>36</u>	<u>3,260,740</u>	<u>38</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings	1,000,000	11	1,000,000	12
Deferred tax liabilities	161,402	2	160,776	2
Net defined benefit liabilities - non-current	604,347	7	667,294	8
Other non-current liabilities	7,583	-	8,892	-
Total non-current liabilities	<u>1,773,332</u>	<u>20</u>	<u>1,836,962</u>	<u>22</u>
Total liabilities	<u>4,905,885</u>	<u>56</u>	<u>5,097,702</u>	<u>60</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital	3,276,518	37	3,276,518	39
Capital surplus	469	-	469	-
Retained earnings				
Special reserve	308,061	4	308,061	4
Unappropriated earnings (accumulated deficits)	197,920	2	(289,879)	(4)
Total retained earnings	<u>505,981</u>	<u>6</u>	<u>18,182</u>	<u>-</u>
Other equity	122,582	1	83,949	1
Total equity	<u>3,905,550</u>	<u>44</u>	<u>3,379,118</u>	<u>40</u>
<b>TOTAL</b>	<u>\$ 8,811,435</u>	<u>100</u>	<u>\$ 8,476,820</u>	<u>100</u>

## TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

	2017		2016	
	Amount	%	Amount	%
NET REVENUE	\$ 19,821,042	100	\$ 16,419,055	100
OPERATING COSTS	<u>18,387,338</u>	<u>92</u>	<u>15,473,799</u>	<u>94</u>
GROSS PROFIT	<u>1,433,704</u>	<u>8</u>	<u>945,256</u>	<u>6</u>
OPERATING EXPENSES				
Selling and marketing expenses	523,996	3	475,748	3
General and administrative expenses	212,471	1	219,600	2
Research and development expenses	<u>21,291</u>	<u>-</u>	<u>18,477</u>	<u>-</u>
Total operating expenses	<u>757,758</u>	<u>4</u>	<u>713,825</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>675,946</u>	<u>4</u>	<u>231,431</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	89,154	-	65,344	-
Other gains and losses	(75,913)	-	(73,835)	-
Share of profit of associates	37,599	-	21,379	-
Finance costs	<u>(48,934)</u>	<u>-</u>	<u>(47,000)</u>	<u>-</u>
Total non-operating income and expenses	<u>1,906</u>	<u>-</u>	<u>(34,112)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	677,852	4	197,319	1
INCOME TAX EXPENSE	<u>175,773</u>	<u>1</u>	<u>76,442</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>502,079</u>	<u>3</u>	<u>120,877</u>	<u>1</u>
OTHER COMPREHENSIVE INCOME (LOSS):				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(16,836)	-	(36,316)	-
Share of the other comprehensive loss of associates accounted for using the equity method	(306)	-	(3,440)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>2,862</u>	<u>-</u>	<u>6,174</u>	<u>-</u>
	<u>(14,280)</u>	<u>-</u>	<u>(33,582)</u>	<u>-</u>

(Continued)

# TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

	2017		2016	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ 17,342	-	\$ (156,886)	(1)
Unrealized gain on available-for-sale financial assets	12,684	-	41,824	-
Share of the other comprehensive income of associates accounted for using the equity method	11,630	-	4,189	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(3,023)</u>	<u>-</u>	<u>27,613</u>	<u>-</u>
	<u>38,633</u>	<u>-</u>	<u>(83,260)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>24,353</u>	<u>-</u>	<u>(116,842)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 526,432</u>	<u>3</u>	<u>\$ 4,035</u>	<u>-</u>
EARNINGS PER SHARE				
Basic	<u>\$ 1.53</u>		<u>\$ 0.37</u>	
Diluted	<u>\$ 1.53</u>		<u>\$ 0.37</u>	

**TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(In Thousands of New Taiwan Dollars)**

	<u>Share Capital - Ordinary Shares</u>		<u>Equity Attributable to Owners of the Company</u>				<u>Other Equity</u>			<u>Total Equity</u>
			<u>Retained Earnings (Accumulated Deficits)</u>		<u>Unappropriated Earnings (Accumulated Deficits)</u>	<u>Exchange Differences on Translating Foreign Operations</u>	<u>Unrealized Gain on Available-for-sale Financial Assets</u>	<u>Total</u>		
									<u>Capital Surplus</u>	
	<u>Shares (In Thousands)</u>	<u>Amount</u>								
BALANCE AT JANUARY 1, 2016	327,652	\$ 3,276,518	\$ 469	\$ 308,061	\$ (377,174)	\$ (69,113)	\$ 45,413	\$ 121,796	\$ 167,209	\$ 3,375,083
Net profit for the year ended December 31, 2016	-	-	-	-	120,877	120,877	-	-	-	120,877
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	(33,582)	(33,582)	(137,708)	54,448	(83,260)	(116,842)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	87,295	87,295	(137,708)	54,448	(83,260)	4,035
BALANCE, DECEMBER 31, 2016	327,652	3,276,518	469	308,061	(289,879)	18,182	(92,295)	176,244	83,949	3,379,118
Net profit for the year ended December 31, 2017	-	-	-	-	502,079	502,079	-	-	-	502,079
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(14,280)	(14,280)	13,911	24,722	38,633	24,353
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	487,799	487,799	13,911	24,722	38,633	526,432
BALANCE, DECEMBER 31, 2017	<u>327,652</u>	<u>\$ 3,276,518</u>	<u>\$ 469</u>	<u>\$ 308,061</u>	<u>\$ 197,920</u>	<u>\$ 505,981</u>	<u>\$ (78,384)</u>	<u>\$ 200,966</u>	<u>\$ 122,582</u>	<u>\$ 3,905,550</u>



# TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 677,852	\$ 197,319
Adjustments for:		
Depreciation expenses	180,844	186,413
Amortization expenses	5,091	7,177
Impairment losses on accounts receivable	8,113	4,027
Net loss on fair value change of financial assets and liabilities held for trading	28,343	11,019
Finance costs	48,934	47,000
Interest income	(12,461)	(18,525)
Dividend income	(7,262)	(7,262)
Share of profit of associates	(37,599)	(21,379)
Loss on disposal of property, plant and equipment	1,155	584
Amortization of prepayments for leases	1,229	1,325
Gain on disposal of investments	(3,311)	(5,069)
Impairment loss recognized on financial assets	3,035	-
Write-down of inventories	5,400	-
(Gain) loss on foreign exchange, net	(7,614)	14,302
Recognition of provisions	9,490	8,243
Changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	67,739	367,326
Notes receivable	(133,031)	205,216
Accounts receivable	(636,562)	48,368
Accounts receivable from related parties	9,572	(7,044)
Other receivables	(33,415)	21,291
Other receivables from related parties	1,106	(2,770)
Inventories	119,695	(223,149)
Prepayments	11,963	(39,241)
Other current assets	788	381
Accounts payable	241,234	261,501
Accounts payable from related parties	6	(715)
Other payables	72,316	1,792
Other payables from related parties	(13,321)	(1,662)
Other current liabilities	(960)	(4,584)
Net defined benefit liabilities	(79,783)	7,022
Cash generated from operations	528,586	1,058,906
Interest received	12,667	18,756
Interest paid	(51,506)	(48,139)
Income tax paid	(69,380)	(46,284)
Net cash generated from operating activities	<u>420,367</u>	<u>983,239</u>

(Continued)

# TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of available-for-sale financial assets	\$ -	\$ (172)
Proceeds from sale of available-for-sale financial assets	6,737	190
Increase in debt investments with no active market	-	(1,000)
Decrease in debt investments with no active market	9,956	204,405
Proceeds from return of capital of financial assets measured at cost	-	7,914
Payments for property, plant and equipment	(162,378)	(184,789)
Proceeds from disposal of property, plant and equipment	194	200
Decrease (increase) in refundable deposits	356	(5,792)
Payments for intangible assets	-	(240)
Dividends received	<u>23,356</u>	<u>16,543</u>
Net cash (used in) generated from investing activities	<u>(121,779)</u>	<u>37,259</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term borrowings	(237,534)	(1,023,901)
(Decrease) increase in short-term bills payable	(160,000)	50,000
Proceeds from long-term borrowings	8,100,000	3,400,000
Repayments of long-term borrowings	(8,100,000)	(3,400,000)
(Decrease) increase in other non-current liabilities	<u>(1,178)</u>	<u>1,082</u>
Net cash used in financing activities	<u>(398,712)</u>	<u>(972,819)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>(1,653)</u>	<u>(27,096)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(101,777)</b>	<b>20,583</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u><b>606,623</b></u>	<u><b>586,040</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><b>\$ 504,846</b></u>	<u><b>\$ 606,623</b></u>

## **Matters for Ratification and Discussion (I)**

### Proposal 2

Proposed by the Board

To ratify 2017 business report and financial statements.

Description : 1. In 2017, the net profit was NT\$502,079,055. After appropriating NT\$289,878,771 to offset the beginning cumulative losses and NT\$21,220,028 as the legal reserve, the distributable net profit of 2017 is NT\$190,980,256. By the end of 2017, the accumulated distributable earnings is NT\$176,700,398 and will all be retained without distribution. Please refer to the Profit Distribution Table next page.

2. Please adopt.

Resolution :

## Taita Chemical Company, Limited

### 2017 Profit Distribution Table

	expressed in NTD
Net profit before tax of 2017	574,549,440
Less: Income tax	(72,470,385)
Net profit of 2017	<u>502,079,055</u>
Less: Beginning cumulative losses	(289,878,771)
Total	<u>212,200,284</u>
Less: Legal reserve	(21,220,028)
Distributable net profit of 2017	<u>190,980,256</u>
Less: Retained earnings adjusted for investments made under the equity method	(306,078)
Less: Retained earnings adjusted for the defined benefit plan after re-measurement.	(13,973,780)
Accumulated distributable earnings at the end of 2017	<u>176,700,398</u>
Distributable items:	
(total number of issued shares: 327,651,855)	
Cash : NT\$0 per share	0
Stock : NT\$0 per share	0
Total amount of distribution	<u>0</u>
Unappropriated earnings at the end of 2017 transferred to the next year	<u>176,700,398</u>

Chairman : Wu, Yih-Guei

President : Wu, Pei-Chi

Chief Accounting Office : Lin, Jin-Cai

## **Matters for Ratification and Discussion (I)**

### Proposal 3

Proposed by the Board

To approve the amendment to the Operating Procedure for Making of Endorsements/Guarantees.

Description : 1. Article 12 of the Operating Procedure for Making of Endorsements/Guarantees will be amended in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.

2. The amendment to the Operating Procedure for Making of Endorsements/Guarantees is shown in the next page.

Resolution :

**Taita Chemical Company, Limited**  
**The Amendment to the “Operating Procedure for Making of**  
**Endorsements/Guarantees”**

After amendment	Before amendment	Description
<p>Article 4:  Limit of endorsement/guarantee:  <u>The aggregate amount of Endorsements and Guarantees made by the Company and the authorized limit on Endorsements and Guarantees made by the Company to any single entity both shall not exceed 150% of the Company’s net worth as stated in the Company’s most recent financial statements.</u>  The aggregate amount of Endorsements and Guarantees made by the Company and its subsidiaries and the authorized limit on Endorsements and Guarantees made by the Company and its subsidiaries to any single entity both shall not exceed 200% of the Company’s net worth as stated in the Company’s most recent financial statements. An explanation of the necessity and reasonableness thereof shall be given at the shareholders meeting.  (Others has been omitted)</p>	<p>Article 4:  Limit of endorsement/guarantee:  The aggregate amount of Endorsements and Guarantees made by the Company and its subsidiaries and the authorized limit on Endorsements and Guarantees made by the Company and its subsidiaries to any single entity both shall not exceed 200% of the Company’s net worth as stated in the Company’s most recent financial statements. An explanation of the necessity and reasonableness thereof shall be given at the shareholders meeting.  (Others has been omitted)</p>	<p>Amendments made in accordance with the amendment to Subparagraph 3, Paragraph 1, Article 12 of the R Regulations Governing Loaning of Funds and Making of Endorsements /Guarantees by Public Companies.</p>

### **III.Elections**

Proposed by the Board

To elect nine directors.

Description :

1. The term of all directors of the current board will expire on June 8, 2018, please elect another nine directors (including three independent directors) in accordance with the Articles of Incorporation.
2. The candidate nomination system shall apply. AGM shall elect directors from the candidate list. Please refer to the table in the next page for the names, education, and experience of candidates.
3. All new directors will take up their office immediately after the election for a term of three years, i.e. from June 22, 2018 to June 21, 2021.

Results :

## Taita Chemical Company, Limited

### List of Candidates for Directorial Election (including independent directors)

No.	A/C No.	Name	Citizen ID No.	Major Education/Experience	Current Position and Employer	Remarks
1	84849	Union Polymer International Investment Corporation : Wu, Yih-Guei	–	College graduated Chairman: USI Corporation 、Asia Polymer Corporation 、China General Plastics Corp. 、Taita Chemical Co., Ltd. 、Acme Electronics Corporation 、USI Optronics Corporation 、Swanson Plastics Corporation CTCI Corporation Executive Director Chinese National Federation of Industries Executive Supervisors	Chairman: USI Corporation 、Asia Polymer Corporation 、China General Plastics Corp. 、Taita Chemical Co., Ltd. 、Acme Electronics Corporation 、USI Optronics Corporation 、Swanson Plastics Corporation CTCI Corporation Director Chinese National Federation of Industries Executive Director	Director Candidate
2	84849	Union Polymer International Investment Corporation : Wu, Pei-Chi	–	Tunghai University. <u>Dow Chemical</u> Director, Asia Pacific Packaging & Specialty Plastics Value Chain, Business Development & Sustainability. Commercial Director, Asia Pacific PU & Systems. General Manager, Asia Pacific Thermosets. Sales Director, Greater China Basic Plastics. Product Manager, Asia Pacific Engineering Plastics, Compounds & Blends. Marketing Manager, Asia Pacific Engineering Plastics. <u>ESSO Taiwan</u> Sales Engineer	Taita Chemical Co., Ltd. President	Director Candidate



No.	A/C No.	Name	Citizen ID No.	Major Education/Experience	Current Position and Employer	Remarks
3	84849	Union Polymer International Investment Corporation : Paul P. Ying	—	B.S. Chemical Engineering, National Taiwan University MBA, Graduate School of Business, University of Chicago President, Swanson Plastics Corporation Regional Director, Elf Lubricants (SEA) Pte. Ltd Managing Director, Elf Trading Asia Pte. Ltd Supply Manager, Crude Oil, Gulf Oil Trading Co Trading Manager, Refined Products, Gulf Oil Trading Co. President, Taita Chemical Co., Ltd. Senior Vice President, USI Corporation	Director, China General Plastics Corp. ∙ Taita Chemical Co., Ltd.	Director Candidate
4	84849	Union Polymer International Investment Corporation : Liu, Han-Tai	—	Ph.D. in Chemical Engineering , Pennsylvania State University Dow Scientist and Product Technology Leader	Director, Taita Chemical Co., Ltd. ∙ Director, China General Plastics Corp. ∙ Director, Asia Polymer Corporation Executive Vice President, USI Corporation	Director Candidate
5	84849	Union Polymer International Investment Corporation : Liu, Jen-Two	—	Nova Southeastern University, USA <u>MiTAC-SYNNEX Group</u> *Group Financial Chief of Staff *Union Venture Capital Corp. President *Harbinger Venture Capital Corp. President *UPC Technology Corp. Chief Financial Officer <u>Philips (Taiwan Branch)</u> Financial Manager	USI Management Consulting Corp. Executive Vice President Director: Asia Polymer Corporation ∙ China General Plastics Corp. ∙ Taita Chemical Co., Ltd.	Director Candidate

No.	A/C No.	Name	Citizen ID No.	Major Education/Experience	Current Position and Employer	Remarks
6	84850	Taiwan Union International Investment Corporation : Ko, Yi-Shaw	—	Chung Yuan Christian University Chemical Engineering Union Nylon Corporation China Phosphate Co., Ltd Taiwan Synthetic Rubber Corporation	Chairman: Zhenjiang Union Chemical Industry Co., Ltd. ∙ Zhongshan Unicizers Industrial Co., Ltd. ∙ Zhuhai Unicizers Industrial Co., Ltd. ∙ Zhongshan Union Trading Co., Ltd. ∙ Taizhou Union Chemical Industry Co., Ltd. ∙ Taizhou Union Logistics Co., Ltd. ∙ Taizhou Union Plastics Industry Co., Ltd. ∙ Jiangsu Union Logistics Co. Ltd. ∙ Guangdong Union Logistics Co., Ltd. ∙ Panjin Union Chemical Industrial Co., Ltd. ∙ Panjin Union Logistics Co., Ltd. ∙ Panjin Union Materials Industry Co., Ltd. ∙ Nanchong Unicizers Industrial Co., Ltd. ∙ Sichung Logistics Co., Ltd. Executive Director: Zhenjiang Union Torch Estate Co., Ltd. Director: UPC Technology Corporation ∙ Taiwan Union International Investment Corporation ∙ Union Venture Capital Corp. ∙ LienHwa United LPG Co., Ltd. ∙ Taita Chemical Company, Limited ∙ China General Terminal & Distribution Corporation ∙ Asia Polymer Corporation. ∙ UPC Chemicals (Malaysia) Sdn. Bhd.	Director Candidate
7	—	Ma Yi-kung	A20083XXXX	RUTGERS-THE STATE UNIVERSITY Member of Control Yuan, 1999-2005 &2008-2014. member of EPA's Environmental Impact Assessment Comm. 1982-1999	Chair-professor, Chung Hua University,2014-	Independent Director Candidate

No.	A/C No.	Name	Citizen ID No.	Major Education/Experience	Current Position and Employer	Remarks
8	—	Tyan Wen Chen	A12288XXXX	University of Southern California (MBA) Chase Manhattan Bank Assistant Treasurer Merrill Lynch Capital Markets Group Vice President The Capital Group Founder & Chairman Cathay Financial Holding Co., Ltd. Director	Chia Shih Construction Co., Ltd. Chairman	Independent Director Candidate
9	—	James Yuan	J10076XXXX	Academic History, Juris Doctor, Rutgers The State University, School of Law Major Working Experiences, Vice President/General Counsel MiTAC International Company Group	President, Taiwan Technology Industry Legal Officers Association Associate Professor, Soochow University ShihHsin University	Independent Director Candidate

## **IV.Matters for Discussion (II)**

Proposed by the Board

To approve the permission of directors for competitive actions.

- Description :
1. While some new directors may engage in or operate a business similar to or within the scope of the Company's business, subject to no harm to the interests of the Company, it is proposed to allow such acts in accordance with Article 209 of the Company Act.
  2. The competitive actions in which new directors engage are shown in the next page.
  3. Please vote.

Resolution :

## **Taita Chemical Company, Limited**

### **Directors' Engagment in Competitive Business Table**

On the day of being elected, some directors of this Company engage in the following business items that are within the scope of business of this Company :

#### **Union Polymer International Investment Corporation**

Asia Polymer Corporation	China General Plastics Corp.
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#### **Taiwan Union International Investment Corporation**

Asia Polymer Corporation
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#### **Wu, Yih-Guei ( Union Polymer International Investment Corporation )**

A.S. Holdings (UK) Limited	Swanson Plastics (India) Private Limited
Acme Components (Malaysia) Sdn. Bhd.	Swanson Plastics (Malaysia) Sdn. Bhd.
ACME Electronics (BVI) Corporation	Swanson Plastics (Singapore) Pte. Ltd.
Acme Electronics (Cayman) Corp.	Taita (BVI) Holding Co., Ltd.
Acme Ferrite Products Sdn. Bhd.	USI International Corporation
APC (BVI) Holding Co., Ltd.	Chinese National Federation of Industries
CGPC (BVI) Holding Co., Ltd.	CTCI Corporation
CGPC America Corporation	USIG (Shanghai) Co., Ltd.
Curtana Company Limited	USI (Hong Kong) Company Limited
Cypress Epoch Limited	USI Optronics Corporation
Dynamic Ever Investments Ltd.	USIFE Investment Co., Ltd.
Ever Conquest Global Limited	USI Management Consulting Corp.
Ever Victory Global Limited	Taiwan VCM Corporation
Forever Young Co., Ltd.	USI Corporation
Forum Pacific Trading Ltd.	APC Investment Corporation
Golden Amber Enterprises Ltd.	Asia Polymer Corporation
Krystal Star International Corporation	Chong Loong Trading Co. Ltd.
PT. Swanson Plastics Indonesia	USI Education Foundation
Swanlake Traders Ltd.	
Swanson International Limited	

China General Plastics Corp.
CGPC Polymer Corporation
Acme Electronics Corporation
ACME Electronics (Kunshan) Co., Ltd.
ACME Electronics (Guangzhou) Co., Ltd.
ASK-Swanson (Kunshan) Company Limited
Swanson Technologies Corporation
Swanson Plastics (Tianjin) Co., Ltd.
Swanson Plastics (Kunshan) Co., Ltd

Swanson Plastics (Nantong) Co., Ltd.
Swanson Plastics Corporation
Emerald Investment Corporation
KHL Venture Capital Co., Ltd.
Fujian Gulei Petrochemical Co., Ltd.
Taiwan United Venture Capital Corp.
Taiwan United Venture Management Corporation
INOMA Corporation
Union Polymer International Investment Corporation
Thintec Materials Corporation

**Wu, Pei-Chi ( Union Polymer International Investment Corporation )**

Dynamic Ever Investments Ltd.
Ever Victory Global Limited
Taita (BVI) Holding Co., Ltd.
Taita Chemical (Zhong Shan) Co., Ltd.

Taita Chemical (Tianjin) Co., Ltd.
Chong Loong Trading Co. Ltd.
Swanson Plastics Corporation
INOMA Corporation
Thintec Materials Corporation

**Paul P. Ying ( Union Polymer International Investment Corporation )**

China General Terminal & Distribution Company
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China General Plastics Corp.
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**Liu, Han-Tai ( Union Polymer International Investment Corporation )**

Dynamic Ever Investments Ltd.
Ever Victory Global Limited
Taiwan VCM Corporation
Asia Polymer Corporation
China General Plastics Corp.

Swanson Plastics Corporation
INOMA Corporation
Thintec Materials Corporation
Continental General Plastics (ZhongShan) Co.,Ltd

**Liu, Jen-Two ( Union Polymer International Investment Corporation )**

APC (BVI) Holding Co., Ltd.	Chong Loong Trading Co. Ltd.
CGPC (BVI) Holding Co., Ltd.	USI Education Foundation
Dynamic Ever Investments Ltd.	China General Plastics Corp.
Ever Victory Global Limited	Continental General Plastics (ZhongShan) Co.,Ltd
Forever Young Co., Ltd.	China General Terminal & Distribution Company
Forum Pacific Trading Ltd.	ACME Electronics (Kunshan) Co., Ltd.
Swanlake Traders Ltd.	Swanson Technologies Corporation
Taita (BVI) Holding Co., Ltd.	Swanson Plastics Corporation
USI International Corporation	Taiwan United Venture Capital Corp.
CGPC CONSUMER PRODUCTS CORPORATION	Taiwan United Venture Management Corporation
Taita Chemical (Zhong Shan) Co., Ltd.	Union Polymer International Investment Corporation
USI Optronics Corporation	
USI Management Consulting Corp.	
WAFER WORKS Corporation	
Asia Polymer Corporation	

**Ko, Yi-Shaw ( Taiwan Union International Investment Corporation )**

UPC Chemicals (Malaysia) Sdn. Bhd.	Taizhou Union Plastics Industry Co., Ltd.
Taita (BVI) Holding Co., Ltd.	Zhuhai Unicizers Industrial Co., Ltd.
APC (BVI) Holding Co., Ltd.	China General Terminal & Distribution Corporation
Zhongshan Union Trading Co., Ltd.	Taiwan Union International Investment Corporation
Zhongshan Unicizers Industrial Co., Ltd.	Guangdong Union Logistics Co., Ltd.
Sichung Logistics Co., Ltd.	Panjin Union Chemical Industrial Co., Ltd.
Jiangsu Union Logistics Co. Ltd.	Panjin Union Materials Industry Co., Ltd.
Asia Polymer Corporation.	Panjin Union Logistics Co., Ltd.
Nanchong Unicizers Industrial Co., Ltd.	UPC Technology Corporation
Taizhou Union Chemical Industry Co., Ltd.	Union Venture Capital Corp.
Taizhou Union Logistics Co., Ltd.	

LienHwa United LPG Co., Ltd.

Zhenjiang Union Chemical  
Industry Co., Ltd.

Zhenjiang Union Torch Estate  
Co., Ltd.

**Ma Yi-kung (Independent Director)**

USI Education Foundation

**Tyan Wen Chen (Independent Director)**

Chia Shih Construction Co., Ltd.

Taiwan Secom Company Ltd.



## **V. Extemporany Motions**

## **VI. Adjournment**

# Appendix 1

## Taita Chemical Company, Limited

### Parliamentary Rules for Shareholders' Meetings

Amended on June 9, 2015

1. Unless otherwise provided in laws, the Company's shareholders' meetings shall be held in accordance with the Rules.
2. The Company shall prepare an attendance book for shareholders to sign in, or the shareholder present may hand in a sign-in card in lieu of signing on the attendance book. The number of shares in attendance shall be calculated in accordance with those indicated on the sign-in cards, plus the number of shares representing the voting rights exercised in an electronic form. Notwithstanding, the number of shares represented by the shareholders who exercise their voting right in an electronic form and attend the meeting in person shall not be counted repeatedly.  
In case a shareholder elects to exercise his/her/its voting power in an electronic form, his/her/its declaration of intention shall be served to the Company two (2) days prior to the shareholders' meeting. Whereas if two (2) or more declarations of the intention are served to the Company, the first declaration received shall prevail, unless an explicit statement to revoke the previous declaration is made in the declaration which comes later. In case a shareholder who has exercised his/her/its voting power in an electronic form intends to attend the shareholders' meeting in person, he/she/it shall, two (2) days prior to the shareholders' meeting and in the same manner previously used in exercising his/her/its voting power, serve a separate declaration to rescind his/her/its previous declaration. In the absence of a timely rescission, the voting right exercised in an electronic form shall prevail.
3. The presence of shareholders in a shareholders' meeting and their voting thereof shall be calculated in accordance with the number of shares.
4. The place for convening the Company's shareholders' meeting shall be the premises of the Company, or any other place convenient for presence of shareholders, and suitable for holding of said meeting. The meeting shall commence no earlier than 9:00AM and no later than 3:00PM on the same day.
5. Where the shareholders' meeting is convened by the Board of Directors, the Chairman of Board shall act as the meeting chairperson. When the Chairman of the Board is on leave or for any reason is unable to exercise the powers of the chairperson, he/she shall appoint one director to act on behalf of him/her. If the Chairman does not make such a designation, the proxy shall be elected by directors

from among themselves.

If a shareholders' meeting is convened by any other person than the Board of Directors, who has the right to convene the meeting, said person shall preside at that meeting.

6. The Company may designate its attorney-at-law, certified public accountant or other relevant persons to attend the shareholders' meeting.

Those handling the business of a shareholders' meeting shall wear an identification card or a armband.

7. The Company shall record with an audio or video tape the whole proceedings of the shareholders' meeting, and said tape shall be kept for at least one (1) year.

8. When the meeting is attended by shareholders representing a majority of the issued shares, the chairperson shall immediately convene the meeting, provided, however, if the statutory quota is not met at the scheduled time for the meeting, the chairperson may postpone the meeting. Provided, however, that the postponement of said meeting shall take place for no more than twice, and the total time postponed shall be no more than one (1) hour. If the meeting has been postponed for twice, but the attending shareholders represent one third or more of the total issued shares, a tentative resolution may be adopted in accordance with the Company Act by a majority of shareholders present at the meeting.

Before the close of said meeting if the shareholders present reach the statutory quota, the chairperson may resubmit the tentative resolution for a vote by the shareholders meeting in accordance with the Company Act.

9. If a shareholders' meeting is convened by the Board of Directors, the agenda shall be formulated by the Board of Directors, and the meeting shall be proceeded with in accordance with said agenda. The agenda shall not be changed without a resolution made by the shareholders' meeting.

The chairperson shall not adjourn a meeting without resolution adopted by shareholders if the motions (including extraordinary motions) covered in the agenda have not been resolved.

After the close of said meeting, shareholders shall not elect another chairperson to hold another meeting at the same place or at any other place. Provided that where the chairperson declares the adjournment of the meeting in a manner in violation of the Rules, a new chairperson of the meeting may be elected by a resolution to be adopted by a majority of the voting rights represented by the shareholders attending said meeting to continue the meeting.

The one to be elected as referred to in the preceding paragraph shall be limited to a director.

10. A shareholder wishing to speak in a shareholders meeting shall first fill out a

Speaker's slip , specifying therein the major points of his speech, his shareholder account number and name, and the chairperson shall determine his order of giving a speech.

A shareholder who submits his slip for a speech but does not actually speak shall be considered as not having given a speech. If the contents of his speech shall be different from those specified on the slip, the contents of his speech shall prevail.

When a shareholder is giving a speech, the other shareholders shall not interrupt unless they have obtained the prior consent from the chairperson and said shareholder, and the chairperson shall prevent others from interrupting.

After the present shareholder gives his speech, the chairperson may, in person or appoint related personnel to, respond to the speech.

11. A shareholder shall not speak more than two (2) times for one motion, unless he has obtained the prior consent from the chairperson, and each speech shall not exceed five (5) minutes.

If a shareholder violates the above provisions or his speech exceeds the scope of the motion, the chairperson may prevent him from doing so.

12. A corporate shareholder being entrusted to attend in a shareholders meeting may designate only one (1) representative to represent it in the meeting.

If a corporate shareholder which designates two (2) or more representatives to represent it at the shareholders' meeting, only one of the representatives may speak on any one motion.

13. When the chairperson is of the opinion that a motion has been sufficiently discussed to a degree of putting to a vote, the chairperson may announce the discussion closed and bring the motion to vote.

In the case of an amendment or substitute to a motion, the chairperson shall decide on the order of voting by combining the amendment or substitute with the same motion. If one of the motions has been approved, the other shall be deemed overruled and no further vote is required.

14. The monitoring and counting personnel shall be designated by the chairperson, provided, however, that the monitoring personnel shall be a shareholder.

The voting result of a motion shall be calculated based on the votes cast on the site plus the e-votes, and shall be reported on the site and recorded in writing. The ballots for the election cast on the site, together with the e-voting materials, shall be sealed with the signatures/seals of the monitoring personnel and kept by the Company in proper custody.

For the e-voting result referred to in the preceding paragraph, an entity which meets Article 44-6 of the Regulations Governing the Administration of Shareholder Services of Public Companies shall be commissioned to certify the statistics of votes

prior to the shareholders' meeting.

15. Resolutions at a shareholders' meeting shall, unless otherwise provided for in Company Act or the Company's Articles of Incorporation, be adopted by a majority of eligible votes of the shareholders who exercise their voting rights by casting ballot on the site and in an electronic form.

Where the Company adopts the e-voting system pursuant to laws, shareholders may choose to exercise their voting right in an electronic form or by balloting on the site to resolve the motion referred to in the preceding paragraph.

Shareholders who choose to exercise their voting right in an electronic form referred to in the preceding paragraph shall exercise the right on the e-voting platform designated by the Company, according to the Company Act, Securities and Exchange Act and the Regulations Governing the Administration of Shareholder Services of Public Companies.

In case a shareholder has exercised his/her/its voting right in an electronic form, and has also authorized a proxy to attend the shareholders' meeting in his/her/its behalf, then the voting right exercised by the authorized proxy for said shareholder shall prevail.

Unless no voting right or restricted voting right required under laws or the Articles, each of shares held by each shareholder shall have the right to one (1) vote.

16. During the proceedings of a meeting, the chairperson may consider the schedule and announce for a break.
17. The chairperson may direct disciplinary personnel (or security personnel) to maintain the order of the meeting. For doing so they shall wear an armband bearing the words of "disciplinary personnel".
18. Any matters not covered herein shall be implemented in accordance with the Company Act, the Company's Articles of Incorporation, and other related laws.
19. The Rules shall be enforced upon approval by a shareholders' meeting. The same shall apply where the Rules are amended.

In case of any discrepancy between the English translation and the Chinese version, the Chinese version shall prevail.

# Appendix 2

## Taita Chemical Company, Limited

### Articles of Incorporation

#### Section 1. General Provisions

- Article 1: The Company is incorporated under the Company Act of the Republic of China and named “台達化學工業股份有限公司” and “TAITA CHEMICAL COMPANY, LIMITED” in English.
- Article 2: The scope of the Company’s business is specified as follows:
1. Production and sales of Polystyrene resin and articles therefore.
  2. Production and sales of Acrylonitrile-butadiene-styrene (ABS) Copolymers.
  3. Production and sales of Styrene-acrylonitrile (SAN) Copolymers
  4. Glasswool and articles therefore.
  5. Plastic resins and articles therefore.
  6. E303020 Noise and vibration restricting engineering.
  7. E801010 Building Maintenance and Upholstery.
  8. ZZ99999 Other than business requiring special approval, any business not prohibited or restricted by laws or regulations.
- Article 2-1: The Company’s total investment may be exempted from the restriction for no more than 40% of the paid-in capital prescribed by Article 13 of the Company Act.
- Article 2-2: The Company may make endorsement/guarantee externally due to the Company’s business needs or investment needs. The endorsement/guarantee shall be signed by the Chairman on behalf of the Company and comply with the Company’s operating procedure for making endorsement/guarantee.
- Article 3: The Company’s head office is situated in Taipei City, Taiwan, the R.O.C., and, when necessary and approved by boards' meeting, may set up branches and factories locally or overseas considered by the Company as adequate.
- Article 4: Public announcements of the Company shall be made in accordance with Article 28 of the Company Act.

#### Section 2. Stocks

- Article 5: The total capital stock of the Company shall be in the amount of NT\$3,276,518,550, divided into 327,651,855 common shares, at a par

value of NT\$10 per share, and may be issued in installments.

Article 6: The Company's share certificates shall be registered and affixed with the signatures or personal seals of three or more directors of the Company, be assigned with serial numbers, and be issued upon the certification made by competent authority or the institute recognized by competent authority.

Article 6-1: For the shares to be issued to the public by the Company, the Company may be exempted from printing any share certificate for the shares issued.

Article 7: The Company's handling of its shareholders services shall comply with the "Regulations Governing the Administration of Shareholder Services of Public Companies" prescribed by the competent authority.

Article 8: (Deleted)

Article 9: (Deleted)

Article 10: The transfer of shares shall not be registered within 60 days prior to the convening date of a general shareholders' meeting, or within 30 days prior to the convening date of a special shareholders' meeting, or within five (5) days prior to the record date fixed by the Company for distribution of dividends, bonus or other benefits.

### **Section 3. Shareholders' Meeting**

Article 11: The Company's shareholders' meetings consist of the following:

1. General shareholders' meeting, shall be held once a year and within six (6) months after close of each fiscal year.
2. Special shareholders' meeting, may be convened pursuant to laws when necessary.

Unless otherwise provided for in Company Act, a shareholders' meetings shall be convened by the Board of Directors.

Article 12: Unless no voting right or restricted voting right required under laws or the Articles, each of shares held by each shareholder shall have the right to one (1) vote. Where any shareholder fails to attend a shareholders' meeting, he/she/it may appoint a proxy, pursuant to the Company Act and "Regulations Governing the Use of Proxies for Attendance at Shareholders' Meeting of Public Companies", to attend a shareholders' meeting on his/her/its behalf by executing a power of attorney printed by the Company stating therein the scope of power authorized to the proxy.

Article 13: Resolutions at a shareholders' meeting shall, unless otherwise provided for in Company Act or other laws, be adopted by a majority of eligible votes of the shareholders present, who represent more than a majority of the total issued shares. According to the competent authority's

requirements, the voting power at a shareholders' meeting of the Company may be exercised by way of electronic transmission if the Company adopt electronic voting system. A shareholder who exercises his/her/its voting power at a shareholders meeting by way of electronic transmission shall be deemed to have attended said shareholders' meeting in person. The related matters shall be implemented in accordance with laws.

Article 14: Unless otherwise provided in the Company Act, a shareholders' meeting shall be chaired by the Company's Chairman of Board. Where the Chairman is absent, the Chairman shall appoint a proxy to act on behalf of him/her.

A shareholders' meeting shall be proceeded in accordance with the Company's Parliamentary Rules for Shareholders' Meetings. In the absence of such a designation, the directors shall elect from among themselves an acting chairman of the board of directors.

A shareholders' meeting shall be proceeded in accordance with the Company's Parliamentary Rules for Shareholders' Meetings.

#### **Section 4. Directors and Audit Committee**

Article 15: The Company shall have 9~11 directors who shall be elected by the shareholders' meeting from among the persons with disposing capacity. Directors shall hold the position for three (3) years and may be re-electable.

Article 15-1: The directors referred to in the preceding Article shall include at least three (3) independent directors. A candidates nomination system shall be adopted by the Company for election of independent directors and non-independent directors, who shall be elected from the name list of candidates at a shareholders' meeting.

The professional qualifications, shares held, restrictions on concurrent positions held, method of nomination and election, and other matters for compliance with respect to independent directors shall be governed by the competent securities authority's related regulations.

Article 15-2: The Company shall establish an Audit Committee pursuant to the Securities and Exchange Act, which shall consist of all independent directors of the Company. The Audit Committee or the committee members shall be responsible for exercising a supervisor's power prescribed by the Company Act, Securities and Exchange Act, and other related laws.

Article 15-3: The Company's Board of Directors may establish other functional



committees. The articles of association thereof shall be established by the Board of Directors.

Article 16: The Chairman of the Board of Directors shall be elected from among the directors by a majority vote at a directors' meeting attended by over two-thirds of the directors, pursuant to Article 208 of the Company Act. The Chairman of the Board of Directors shall externally represent the Company and shall implement the resolutions made by shareholders' meetings and directors' meetings. A director may authorize another director to attend the directors' meeting on behalf of him/her pursuant to Article 205 of the Company Act. It shall be stated the scope of authorization. A director may accept the appointment to act as the proxy of one other director only. The total shares of the Company's registered share certificates held by the whole directors shall be no less than the proportion prescribed by the Securities and Exchange Act.

Article 17: Directors' meetings shall be convened by the Chairman, except for the first meeting of each term of the Board of Directors which shall be convened by the director who received a ballot representing the largest number of votes at the election of directors. Directors' meetings shall be chaired by the Chairman. Where the Chairman is absent, the Chairman shall appoint a director to act on behalf of him/her. In the absence of such a designation, the directors shall elect from among themselves an acting chairman of the board of directors. Resolutions at a directors' meeting shall, unless otherwise provided for in Company Act or other laws, be adopted by a majority of eligible votes of the directors at a meeting attended by a majority of the whole directors.

Article 18: The functions of the Board of Directors:

1. Decide the business policy;
2. Review budget and final accounts;
3. Review important regulations;
4. Draft the allocation of earnings or covering of loss;
5. Draft the increase or decrease in capital ;
6. Exercise the powers granted pursuant to laws and by a shareholders' meeting.

Article 19: The convener shall notify each director of the agenda within seven (7) days prior to the meeting. However, in the case of emergency, the meeting may be convened at any time.

A directors' meeting may be convened in writing or by electronic transmission or fax.

Article 20: The amounts of remuneration to directors shall be determined by the directors' meeting based on the rate prevailing in fellow companies and

the directors' participation in and contribution to the Company's operation, regardless of whether or not the Company operates of profit. If a director serves other position concurrently in the Company, he/she may be remunerated with salary according to general standard.

Article 21: The Board of Directors has set up a Secretariat of the Board dedicated to handling the affairs related to the Board of Directors.

### **Section 5. Managerial Personnel and Personnel**

Article 22: Job title, appointment, discharge and remuneration of the Company's managerial personnel, if any, shall be decided by a majority of the directors present at a meeting attended by a majority of the whole directors.

Article 23: The Company's managerial personnel shall process the Company's routine affairs per the Chairman's instruction and resolution made by a directors' meeting.

Article 23-1: The Company may purchase liability insurance against the damages to be borne by directors and officers with respect to the scope of business carried out by them during their term of office.

### **Section 6. Final Accounts/ Allocation of Earnings**

Article 24: The Company's fiscal year shall commence from January 1 until December 31 of each year. The Board of Directors shall prepare the following reports at the end of each fiscal year and send them to the general shareholders' meeting for recognition:

1. Business report;
2. Financial statements;
3. Motion for allocation of earnings or covering of loss.

Article 25: If the Company retains earnings in the current year, it shall allocate the compensation to directors and employees. The compensation to directors shall be no more than 1% of the earnings gained in the current year, while the compensation to employees shall be no less than 1% of the earnings. Notwithstanding, if the Company retains accumulated losses, it shall reserve the amount to be covered in advance.

Said compensation to employees may be allocated in the form of shares or in cash, including the employees of the Company's subsidiaries meeting certain specific requirements entitled to receive shares or cash. The specific requirements shall be defined by the Board of Directors.

If the Company has net profits after tax according to its annual financial account, the Company may, after making up all past losses, set aside a 10% legal reserve from the remainder, if any. The remaining allocable earnings, if any, plus the accumulated unappropriated earnings for prior

years and the balance after provision or reversal of special earnings required by the competent authority, shall be accumulated allocable earnings, which shall be allocated according to the proposal drafted by the Board of Directors and resolution made by a general shareholders' meeting duly. The shareholders' meeting may retain the earnings, in whole or in part, subject to the overview of business.

As the industry which the Company is engaged in refers to a matured industry, when resolving to allocate earnings, in consideration of the R&D needs and diversified business, the shareholders' dividend allocable shall be no less than 10% of the allocable earnings, including the cash dividend no less than 10% of the whole dividends. Notwithstanding, no dividend shall be allocated, if the allocable earnings per share is less than NT\$0.1.

Article 26: The Company's articles of association and enforcement rules thereof shall be established separately.

Article 27: Any matters not covered herein shall be implemented in accordance with the Company Act and related laws of the R.O.C.

Article 28: The Articles of Incorporation was established on December 4, 1959. (following content omitted) 53<sup>th</sup> amendments hereto were made on June 13, 2016.

In case of any discrepancy between the English translation and the Chinese version, the Chinese version shall prevail.

# Appendix 3

## Taita Chemical Company, Limited

### Rules for Election of Directors

Amended on June 16, 2017

- Article 1: The Company's directors shall be elected in accordance with the Rules.
- Article 2: Election of the Company's directors shall be conducted at a shareholders' meeting.
- Article 3: Unless otherwise provided in related laws, the Company's directors shall be elected by the shareholders' meeting from among the persons with disposing capacity.
- Article 4: Quota of the Company's directors shall be based on the quota defined in the Company's Articles of Incorporation.
- Article 5: The election of the Company's directors shall adopt an open cumulative voting system. In the process of electing directors at a shareholders' meeting. The number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. The votes which is cast on the site at the shareholders' meeting. Attendance card numbers printed on the ballots may replace the names of voting shareholders. The voters' equity shall be based on the Company's roster of shareholders. Election of the Company's independent directors and non-independent directors shall adopt the candidate nomination system referred to in Article 192-1 of the Company Act.
- Article 6: The Company's independent and non-independent directors shall be elected at the same time, but in separately calculated numbers. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elected. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance. The votes referred to in Paragraph 1 shall be calculated based on the votes cast at the shareholders' meeting plus e-votes. For the e-voting result referred to in the preceding paragraph, an entity which meets Article 44-6 of the Regulations Governing the

Administration of Shareholder Services of Public Companies shall be commissioned to verify the shareholders' identity and votes and certify the statistics of votes prior to the shareholders' meeting.

Article 7: The Board of Directors shall prepare ballots to be cast at the shareholders' meeting. The ballots shall be affixed with the Company's official seal, as well as the voters' attendance card number and number of votes.

Where election of the Company's directors adopts the e-voting system pursuant to laws, shareholders may choose to exercise their voting right in electronic form or by balloting on the site.

Shareholders who choose to exercise their voting right in an electronic form shall exercise the right on the e-voting platform designated by the Company.

Article 8: The chairperson shall designate several monitoring and counting personnel prior to the election to perform their duty.

Article 9: The ballot box and lot-drawing box at the shareholders' meeting shall be prepared by the Company and inspected by the monitoring personnel openly before the voting or lot drawing.

Article 10: The voters shall complete the relevant information based on the name list of candidates identified in the shareholders' meeting handbook. Each ballot may enter only one candidate. When the candidate is a shareholder, please enter his/her account number and account name; otherwise, please enter the candidate's name and ID No. When the candidate is a governmental organization or juristic person, the name of the governmental organization or juristic person shall be entered or both the name of the governmental organization or juristic person and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered. Shareholders may enter their seals to replace completion of the information about candidates referred to in the preceding paragraph.

Article 11: A ballot is invalid under any of the following circumstances at the shareholders' meeting:

- I. The ballot adopted is not that prepared pursuant to the Rules.
- II. A blank ballot is placed in the ballot box.
- III. The writing is unclear and indecipherable.
- IV. Names and related information of the candidates, or the number of voting rights allotted is altered.
- V. The check shows that the information completed pursuant to the preceding Article is inconsistent with the information related to

the nominated candidate.

VI. Other words or marks are entered in addition to the information completed pursuant to the preceding Article and the number of voting rights allotted.

VII. The candidate identified is not a candidate who is nominated, or the quota of candidates exceed the number of candidates to be elected.

VIII. Total of voting rights allotted exceed the number of votes held by voters.

Where the Company adopts the e-voting system, the invalid ballots shall be identified pursuant to the Rules and also the related laws promulgated by the competent authority.

Article 12: Where the total of voting rights allotted are less than the number of votes held by the voters, the decreased votes shall be waived.

Article 13: The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the results of calculation of e-voting, shall be announced by the chairperson on the site.

Article 14: The Company shall issue notifications to the persons elected as directors.

Article 15: The ballots for the election cast on the site, together with the e-voting materials, shall be sealed with the signatures/seals of the monitoring personnel and kept by the Company in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 16: Any matters not covered herein shall be implemented in accordance with the Company Act, the Company's Articles of Incorporation, and other related laws.

Article 17: The Rules shall be enforced upon approval by a shareholders' meeting. The same shall apply where the Rules are amended.

In case of any discrepancy between the English translation and the Chinese version, the Chinese version shall prevail.

# Appendix 4

## Taita Chemical Company, Limited

### Parliamentary Rules for Directors' Meetings

Amended on August 9, 2017

- Article 1: The Rules are established in accordance with Paragraph 8 of Article 26-3 of the Securities and Exchange Act, and the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.
- Article 2: Unless otherwise provided in related laws or the Articles of Incorporation, the main agenda items, operating procedures, required content of meeting minutes, public announcements, and other compliance requirements for directors' meetings of the Company shall be handled in accordance with the Rules.
- Article 3: The directors' meeting shall be convened at least once per quarter. The reasons for calling a board of directors meeting shall be notified to each director at least seven (7) days in advance. In emergency circumstances, however, a meeting may be called at any time. A directors' meeting may be convened in writing or by electronic transmission or fax. All matters set out in the subparagraphs of Paragraph 1 of Article 7 herein shall be specified in the notice of the reasons for calling a directors' meeting, unless in the case of an emergency or with justified reasons, none of them may be raised as an extraordinary motion.
- Article 4: A directors' meeting shall be held at the location and during the business hours of the Company, or at a place and time convenient to all directors and suitable for holding such a meeting.
- Article 5: The Company's Secretariat of the Board shall act as the agenda unit responsible for agenda affairs of the directors' meeting. The agenda unit shall prepare the contents of agenda for directors' meetings and provide comprehensive pre-meeting materials, to be sent together with the notice of the meeting. Where a director considers that the pre-meeting materials provided are insufficient, he/she may request the agenda unit to supplement the materials. Where a director considers that materials concerning any motion are insufficient in contents, deliberation of such motion may be postponed by a resolution of the Board of Directors.
- Article 6: Agenda of a regular directors' meeting shall at least include the following:

- I. Report:
  - (I) Minutes of last meeting and actions arising.
  - (II) Reporting on important financial and business matters.
  - (III) Reporting on internal audit activities.
  - (IV) Other important matters to be reported.
- II. Discussion:
  - (I) Items discussed and continued from last meeting.
  - (II) Motions to be discussed at this meeting.
- III. Extraordinary motions

Article 7: The Company shall submit the following items for discussion by the Board of Directors:

- I. The Company's business plan
- II. Annual and semi-annual financial reports with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be audited and attested by a certified public accountant (CPA).
- III. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act, and an assessment on effectiveness of the internal control system.
- IV. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposition of assets, derivatives trading, funding to others, and endorsements or guarantees for others.
- V. Offering, issuance, or private placement of any equity-type securities.
- VI. Appointment or discharge of a financial, accounting, or internal audit officer.
- VII. A donation to a stakeholder or a major donation to a non-stakeholder, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to next directors' meeting for retroactive recognition.
- VIII. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or Articles of Incorporation to be approved by resolution at a shareholders' meeting or directors' meeting, or any such significant matter as may be prescribed by the competent authority.

The term "stakeholder" referred to in Subparagraph 7 of the preceding



paragraph means a stakeholder as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term “major donation to a non-stakeholder” means any individual donation, or cumulative donations within the preceding year to a single recipient at an amount of NT\$5 million or more.

The term “with the preceding year” in the preceding paragraph means a period of one (1) year calculated retroactively from the date on which the current directors’ meeting is convened. Amounts already submitted to and passed by a resolution of the Board are exempted from inclusion in the calculation.

At least one independent director of the Company shall attend each directors’ meeting in person. In the case of a meeting concerning any matter required to be submitted for a resolution by a directors’ meeting under Paragraph 1, each independent director shall attend the meeting in person. If an independent director is unable to attend the meeting in person, he or she shall appoint another independent director to attend the meeting as his or her proxy. If an independent director expresses any objection or reservation about a matter, it shall be recorded in the directors’ meeting minutes. An independent director intending to express an objection or reservation but unable to attend the meeting in person shall, unless there is some justified reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes.

Article 8: Apart from matters referred to in Paragraph 1 of the preceding Article, which are required to be submitted for discussion by the Board of Directors, when the Board of Directors delegates any exercise of its powers pursuant to laws or regulations or the Company's articles of incorporation, matters such as the level and substance of the delegation shall be concretely and specifically set out.

Article 9: When a directors’ meeting is held, an attendance book shall be made ready for signature by directors attending the meeting and thereafter made available for future reference.

All directors shall attend the directors’ meetings in person. If attendance in person is not possible, they may, pursuant to the Company's Articles of Incorporation, appoint another director to attend as their proxy. Attendance via a video conference is deemed as attendance in person. A director appointing another director to attend a directors’ meeting in his or her place shall in each case give to that director a written proxy

stating the scope of authorization with respect to the reasons for meeting. The proxy referred to in Paragraph 2 may accept a proxy from one person only.

Article 10: A directors' meeting shall be called and chaired by the Chairman of the Board. However, the first directors' meeting of each term of the Board shall be called and chaired by the director who received votes representing the largest portion of voting rights at the shareholders' meeting in which the directors were elected. If there are two or more directors so entitled to call the meeting, they shall choose one person by and from among themselves to do so.

When the Chairman of the Board is on leave or for any reason is unable to exercise the powers of the chairperson, he/she shall appoint one (1) director to act on behalf of him/her. If the Chairman does not make such a designation, the proxy shall be elected by directors from among themselves.

Article 11: When holding a directors' meeting, the Company may, subject to the contents of agenda, notify personnel of relevant departments or subsidiaries to attend the meeting as nonvoting participants.

When necessary, the Company may also invite certificated public accounts, attorneys at law, or other professionals to attend as nonvoting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place.

Article 12: When the time of a meeting has arrived and more than a majority of all board directors are present, the meeting chairperson may announce opening of the meeting immediately. If the quorum is still not met at the meeting time, the chairperson shall announce postponement of the meeting, and such postponement shall take place for no more than twice. If the quorum is still not met after postponement for twice, the chairperson shall re-call the meeting following the procedures provided in Paragraph 2 of Article 3 herein.

The term "all board directors" as used in the preceding paragraph and in Paragraph 2.2 of Article 17 herein shall be counted as the number of directors then in office.

Article 13: A directors' meeting shall be conducted in accordance with the order of business on the agenda as specified in the meeting notice. However, the order may be changed with the approval of a majority of directors present at the meeting.

The meeting chairperson may not declare the meeting closed without the

approval of a majority of directors present at the meeting.

If at any time during the proceeding of a directors' meeting the directors sitting at the meeting fail to reach a majority of the directors present at the meeting; then upon motion by the directors sitting at the meeting, the chairperson shall declare a suspension of the meeting, in which case Paragraph 1 of the preceding Article shall apply mutandis.

Article 14: When the chairperson at a directors' meeting is of the opinion that a matter has been sufficiently discussed to a degree of putting to a vote, the chairperson may announce the discussion closed and bring the matter to vote.

When a motion comes to a vote at a directors' meeting, if the chairperson puts the matter before all directors present at the meeting and none voices an objection, the motion is deemed approved.

In the case of an amendment or substitute to a motion, the chairperson shall decide on the order of voting by combining the amendment or substitute with the same motion. However, if one of the motions has been approved, the other shall be deemed over-ruled and no further votes are required.

If a vote on a motion requires monitoring and counting personnel, the chairperson shall appoint such personnel, providing that all monitoring personnel shall be directors.

Results of the votes shall be announced on the spot and recorded.

"All directors present at the meeting" referred in Paragraph 2 exclude directors prohibited from exercising voting rights pursuant to Paragraph 1 of Article 16 herein.

Article 15: Except as otherwise stated in the Securities and Exchange Act, Company Act or the Articles of Incorporation, a resolution on a matter at a directors' meeting requires the approval of a majority of the directors present at the meeting that shall be attended by a majority of all directors.

Article 16: If any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter.

The provisions of Paragraph 2 of Article 180 of the Company Act, as

applied mutatis mutandis under Paragraph 3 of Article 206 of the Company Act, apply to resolutions of a directors' meetings when a board director is prohibited by the preceding paragraph from exercising voting rights.

Article 17: Minutes shall be prepared of the discussions at directors' meetings. The meeting minutes shall record the following:

- I. Session (or year), time, and place of meeting.
- II. Chairperson's name.
- III. Attendance of directors at the meeting, specifying the names and number of members present, excused, and absent.
- IV. Names and titles of those attending the meeting as nonvoting participants.
- V. Name of minutes taker.
- VI. Report.
- VII. Discussion: Method of resolution and the result for each motion; a summary of the comments made by directors, experts, and other persons; the name of any director that is an interested party as referred to in Paragraph 1 of the preceding Article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director under Paragraph 4 of Article 7 herein.
- VIII. Extraordinary motions: the name of the mover; the method of resolution and the result for each motion; a summary of the comments made by directors, experts, or other persons; the name of any director that is an interested party as referred to in Paragraph 1 of the preceding Article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing.
- IX. Other matters required to be recorded.

Any of the following matters in relation to a resolution passed at a meeting of the board of directors shall be stated in the meeting minutes

and within two (2) days of the meeting be published on an information reporting website designated by the competent authority:

- I. Any matter about which an independent director expresses an objection or reservation that has been included in records or stated in writing.
- II. If the Company has an audit committee, any matter that has not been passed by the audit committee, but has been adopted with the approval of two-thirds or more of all board directors.

The attendance book forms a part of the minutes for each directors' meeting and shall be well preserved during the existence of the Company.

The minutes of a board of directors meeting shall bear the signature or seal of both the meeting chairperson and the minutes taker. A copy of the minutes shall be distributed to each director within 20 days after the meeting and well preserved as important company records during the existence of the Company.

The production and distribution of the meeting minutes referred to in Paragraph 1 may be done in electronic form.

Article 18: The Company shall record on audio or video tape the entire proceedings of a directors' meeting, and preserve the recordings for at least five years, in electronic form.

If before the end of the preservation period referred to in the preceding paragraph any litigation arises in connection with a resolution of a directors' meeting, the relevant audio or video recordings shall continue to be preserved until the litigation is concluded.

Where the directors' meeting is held in the form of video conference, the video conference materials shall form a part of the minutes for each directors' meeting and shall be well preserved during the existence of the Company.

Article 19: The Rules shall be subject to approval by the Board of Directors and submitted to the latest shareholders' meeting. The same shall apply where the Rules are amended. The Rules shall be enforced upon approval by the Board of Directors, provided that the deletion of provisions related to supervisors shall be enforced upon the Company's establishment of the Audit Committee.

In case of any discrepancy between the English translation and the Chinese version, the Chinese version shall prevail.

# Appendix 5

## Taita Chemical Company, Limited

### Operating Procedure for Making of Endorsements/Guarantees

#### ( Before Amendment )

Amended on June 9, 2015

Article 1: Purpose

The Company shall comply with the Procedure when making endorsements/guarantees for others. Any matters not covered herein shall be implemented in accordance with related laws and regulations.

Article 2: Scope of applicability

The term "endorsements/guarantees" as used herein refers to the following:

- I. Financing endorsements/guarantees:
  - (I) Bill discount financing.
  - (II) Endorsement or guarantee made to meet the financing needs of another company.
  - (III) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself.
- II. Customs duty endorsement/guarantee: An endorsement or guarantee for the Company itself or another company with respect to customs duty matters.
- III. Other endorsements/guarantees: Endorsements or guarantees beyond the scope of the above two subparagraphs.

Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with the Procedure.

Article 3: Subject of endorsement/guarantee:

- I. A company with which the Company does business.
- II. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
- III. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.
- IV. the jointly invested company for which all capital contributing shareholders make endorsements/ guarantees in proportion to their shareholding percentages; capital contribution referred to herein shall mean capital contribution directly by the Company, or through a company in which the Company holds 100% of the voting shares.
- V. Subsidiaries in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other.

“Subsidiary” as referred to herein shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 4: Limit of endorsement/guarantee:

The aggregate amount of Endorsements and Guarantees made by the Company and its subsidiaries and the authorized limit on Endorsements and Guarantees made by the Company and its subsidiaries to any single entity both shall not exceed 200% of the Company’s net worth as stated in the Company’s most recent financial statements. An explanation of the necessity and reasonableness thereof shall be given at the shareholders meeting.

The amount of Endorsements and Guarantees made among subsidiaries in which the Company holds, directly or indirectly, 90% or more of the voting shares shall not exceed 10% of the Company’s net worth as stated in the Company’s most recent financial statements. Notwithstanding, this shall not apply to the endorsements and guarantees made among subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares.

Where an endorsement and guarantee is made due to needs arising from business dealings, in addition to said requirements about authorized limit, the individual endorsement and guarantee made therefor shall be no more than the transaction value between both parties for the most recent year.

The net worth referred to herein means the equity attributable to the owners of the parent company in the balance sheet prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 5: Decision-making and level of authority

The authorized limit on endorsements/guarantees to a single entity shall be subject to review and approval by the Chairman of Board, and then submitted to the Board of Directors for a resolution. Notwithstanding, substantial endorsements/guarantees shall be approved by a majority of all Audit Committee members and submitted to the Board of Directors for a resolution in advance. The Chairman is authorized to make decisions within the specific aggregate limit during adjournment of Board of Directors’ meeting, and then have it ratified by the most recent Board of Directors’ meeting. Notwithstanding, subsidiaries in which the Company holds, directly or indirectly, 90% or more of the voting shares may not make endorsements/guarantees until the same is reported to and resolved by a Board of Directors’ meeting of the Company. Notwithstanding, this shall not apply to the endorsements and guarantees made among subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares.

Article 6: Procedure for Making of Endorsements/Guarantees

I. When applying for the authorized limit of endorsement/guarantee,

the endorsed/guaranteed enterprise shall provide its basic information and financial information, and submit an application to the Company's Financial Department for the endorsement/guarantee. The Financial Department shall thoroughly evaluate the related information, and conduct credit investigation each year during the period when the endorsement/guarantee persists. The scope of evaluation covers the necessity and reasonableness of endorsement/guarantee, whether the amount of an endorsement/guarantee is commensurate to the total amount of trading between the two (2) companies when the endorsement/guarantee is made due to needs arising from business dealings, the impact on the Company's operational risk, financial condition and shareholders' equity, and whether collateral must be obtained and appraisal of the value thereof.

- II. The Company's Financial Department shall compile the related information referred to in the preceding paragraph and submit the same together with the evaluation result to the Chairman of Board for review and approval, and then have the same submitted to a Board of Directors' meeting for a resolution, or have the Chairman of Board make decisions with authorization, before making the endorsement/guarantee.
- III. Financial Department shall prepare a memorandum book for the endorsements/guarantees made by it and truthfully record the following information: subject of the endorsement/guarantee, amount, date of approval by the Board of Directors' meeting or decision made by the Chairman of Board, date of endorsement/guarantee, issues to be evaluated carefully pursuant to the Procedure, contents of collateral and value thereof upon evaluation, conditions for and date of termination of the endorsement/guarantee, and amount and date of liability of guarantee.
- IV. Upon discharge from debt, the endorsed/guaranteed enterprise shall notify the relevant information to the Company's Financial Department to relieve the Company from the liability of guarantee and enable the Company to record the discharge in the memorandum book for the endorsements/guarantees.
- V. The Company's Financial Department shall evaluate and state the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures and issuance of adequate audit report.

Article 7: Procedure for usage and custody of corporate chop  
The Company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees.



The chop shall be kept in the custody of a designated person approved by the Board of Directors. The same shall apply if the chop is changed. The chop may be used to seal or issue negotiable instruments only in accordance with the operating procedures prescribed by the Company. When making a guarantee for a foreign company, the Company shall have the Guarantee Agreement signed by a person authorized by the Board of Directors.

Article 8: Notes to Making of Endorsements/Guarantees

The Company's internal auditors shall audit the Operating Procedure for Making of Endorsements/Guarantees and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Audit Committee in writing of any material violation found.

Where as a result of changes of condition the endorsed/guaranteed company no longer meets the requirements herein, or the amount of endorsement/guarantee exceeds the limit, the audit unit shall urge Financial Department to adopt corrective action plans against the amount of endorsement/guarantee or that exceeding the limit and submit the plans to the Audit Committee and reported to a Board of Directors' meeting, and shall complete the corrective action according to the time frame set out in the plan.

Where the Company needs to exceed the limits set out herein to satisfy its business requirements, and where the conditions set out herein are complied with, it shall obtain approval from a majority of all Audit Committee members, and approval from a Board of Directors' meeting and a majority of the whole directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement/guarantee. It shall also amend the Procedure accordingly and submit the same to the shareholders' meeting for ratification thereafter. If the shareholders' meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit. Where the Company has assigned the position of independent director, during the discussion by the Board of Directors referred to in the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

Where the endorsed/guaranteed company is a subsidiary whose net worth in the most recent financial statement is lower than half of its paid-in capital, Financial Department shall obtain the annual financial statements of the endorsed/guaranteed company and conduct the risk evaluation report on necessity and reasonableness, and then submit the statements and report to the Chairman of Board for approval. In the case of a subsidiary with shares having no par value or a par value other than

NT\$10, the paid-in capital shall refer to the sum of the share capital plus paid-in capital in excess of par.

- Article 9: Time limit for public announcement and contents thereof
- I. The Company shall enter the balance of endorsements/guarantees made by the Company and its subsidiaries in the last month into the MOPS by tenth (10th) day of each month.
  - II. Where balance of endorsements/guarantees made by the Company and its subsidiaries reaches one of the following limits, the Company shall enter the balance into the MOPS within two (2) days commencing immediately from the date of occurrence:
    - (I) The balance of endorsements/guarantees by the Company and its subsidiaries reaches fifty (50) percent or more of the Company's net worth as stated in its latest financial statement.
    - (II) The balance of endorsements/guarantees made by the Company and its subsidiaries to a single entity reaches twenty (20) percent or more of the Company's net worth as stated in its latest financial statement.
    - (III) The balance of endorsements/guarantees by the Company and its subsidiaries to a single entity reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to, such entity reaches thirty (30) percent or more of the Company's net worth as stated in its latest financial statement.
    - (IV) The amount of new endorsements/guarantees made by the Company and its subsidiaries reaches NT\$30 million or more, and reaches five (5) percent or more of the Company's net worth as stated in its latest financial statement.
- Date of occurrence referred to herein means the contracting date, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.
- III. The Company shall report to the MOPS on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to the preceding paragraph. The proportion of the balance of endorsements/guarantees made by subsidiaries referred to in the preceding paragraph in net worth shall refer to the proportion of the same in the Company's net worth.

- Article 10: Procedure for Control over Endorsements/Guarantees Made by Subsidiaries
- I. Where any of the Company's subsidiaries wish to make endorsements/guarantees for others, the Company shall order the subsidiary to establish its own operating procedure for making of endorsements/guarantees and comply with the same, provided that the net worth shall be calculated based on the subsidiary's net worth.

- II. The subsidiary shall prepare the statement of endorsements/guarantees made for others in last month by 5th day of each month, and submit the same to the Company for review.
- III. The internal auditors of the subsidiary which is a public company shall audit its operating procedure for making of endorsements/guarantees and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Company's audit unit in writing of any material violation found to enable the Company's audit unit to submit the same to Audit Committee.
- IV. When conducting an audit on a subsidiary pursuant to the annual audit plan, the Company's internal auditors shall also verify the subsidiary's operating procedure for making of endorsements/guarantees and the implementation thereof. Where any deficiencies are found, the internal auditors shall follow up the improvement thereof continuously, and prepare the follow-up report and submit the same to the Board of Directors.

Article 11: Penalty

Where the Company's managerial staff and relevant personnel violate the Procedure, the staff and personnel shall be reported for performance appraisal pursuant to the Company's personnel management rules and employees' work rules and disciplined subject to seriousness of the case.

Article 12: Enforcement and amendment

The Procedure shall be enforced upon agreement by a majority of the Audit Committee members, and subject to resolution by a Board of Directors' meeting and approval by a shareholders' meeting in advance. If a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the Audit Committee and also to a shareholders' meeting for discussion. The same shall apply where the Procedure is amended.

Where the Company has assigned the position of independent director, when the Operating Procedure is submitted for discussion by the Board of Directors, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

In case of any discrepancy between the English translation and the Chinese version, the Chinese version shall prevail.

## Appendix 6

### Taita Chemical Company, Limited

#### Stake of Directors

Title	Name	Stake
Chairperson	Wu, Yih-Guei (Representative of Union Polymer International Investment Corporation)	120,535,750
Director	Miau, Matthew (Representative of Union Polymer International Investment Corporation)	
Director	Paul P. Ying (Representative of Union Polymer International Investment Corporation)	
Director	Liu, Han-Tai (Representative of Union Polymer International Investment Corporation)	
Director	Liu, Jen-Two (Representative of Union Polymer International Investment Corporation)	
Director	Ko, Yi-Shaw (Representative of Union Polymer International Investment Corporation)	
Independent Director	Tyan Wen Chen	
Independent Director	Ma Yi-Kung	0
Independent Director	James Yuan	0
Total Stake of Directors		120,535,750
Stake by Law of Directors		13,106,074

Note: 1. The said stake is the number of shares registered in the List of Shareholders dated by the book due date (April 24) of the 2018 AGM.

2. The total issued shares of TTC are 327,651,855 shares.

## Appendix 7

**The Impact of Stock Dividend Issuance on Business Performance, EPS, and ROE** : No estimates should be disclosed as no financial forecast was made for 2018.

Item		Year	2018 (Estimates)
Beginning paid-in capital			NT\$3,276,518,550
Stock dividend of the year (Note 1)	Cash dividend per share		NT\$0
	Stock dividend per share for capitalization with earnings.		0 share
	Stock dividend per share for capitalization with capital reserve.		0 share
Impact on business performance	Operating income		
	Rate of increase (decrease) of operating income YOY		
	Net profit after tax		
	Rate of increase (decrease) of net profit after tax YOY		
	EPS		
	Rate of increase (decrease) of EPS YOY		
	Average ROI (reciprocal of average price-earnings ratio (PER))		
Proposed EPS and PER	If issuing dividends in cash for capitalization with earnings	Proposed EPS	
		Proposed annual average ROI	
	If no capitalization with legal reserve	Proposed EPS	
		Proposed annual average ROI	
	If issuing dividends in cash for capitalization with earnings without capitalization with legal reserve	Proposed EPS	
		Proposed annual average ROI	

- The company shall present all basic assumptions for estimates or proposed data.
- Proposed EPS for issuing dividends in cash for capitalization with earnings.  

$$= \frac{[\text{Net profit after tax} - \text{Imputed interest for cash dividends}^* \times (1 - \text{Tax rate})]}{[\text{Total Issued Shares by End of Year} - \text{Number of Shares with Dividends}^{**}]}$$

Imputed interest for cash dividends\* = Amount of capitalization with earnings x General interest rate for one-year loan  
 Number of Shares with Dividends\*\*: The number of shares increased from the stock dividends in the previous year.
- Annual PER: Annual Average Market Price Per Share ÷ EPA in the Annual Financial Statement

Chairman :

Manager :

Case Officer :

## **Appendix 8**

### **Description of shareholders proposals:**

1. Referring to Article 172-1 of the Company Act:  
“Shareholder(s) holding one per cent (1%) or more of the total number of outstanding shares of a company may make a proposal for discussion at a general meeting of shareholders, provided that only one matter shall be allowed in each single proposal of not more than 300 words.”
2. The acceptance period of proposals from shareholders for the 2018 AGM is from April 15, 2018 to April 25, 2018. Such information was disclosed on the Market Observation Post System by law on April 2, 2018.
3. No proposal from shareholder was received during the said period.