

Stock Code : 1309

**Taita Chemical Company, Limited**

**Handbook for the**

**2020 Annual General Meeting**

**of Shareholders**

**Date : June 18, 2020**

**Location : 5F., No.2, Yuanshan Rd., Niasong Dist.,  
Kaohsiung City, Taiwan (R.O.C.)**

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

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**Taita Chemical Company, Limited**  
**Procedure of the 2020 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
6. Extemporaneous Motions
7. Adjournment

# **Taita Chemical Company, Limited**

## **Year 2020**

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

Date : Jun.18, 2020 (Thursday) AM 09:00

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

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

The Grand Hotel Kaohsiung, Po Shou Hall

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

- (1) To report 2019 Operating results.
- (2) To report Audit Committee's Review Reports of 2019 Financial Statement.
- (3) To report 2019 remuneration of directors and employees.
- (4) To report the amendment to the Ethical Corporate Management Best Practice Principles.
- (5) To report the amendment to the Operating Procedures for Ethical Management and Guidelines for Conduct.

#### **2. Matters for Ratification and Discussion :**

- (1) To ratify 2019 Business Report and Financial Statements.
- (2) To ratify 2019 earnings distribution.
- (3) To approve the capitalization on part of dividends.
- (4) To approve the amendment to the Parliamentary Rules for Shareholders' Meetings.
- (5) To approve the amendment to the Operating Procedure for Making of Endorsements/Guarantees.
- (6) To approve the amendment to the Operating Procedure for Loaning of Funds.
- (7) To approve the permission of directors for competitive actions.

#### **3. Extemporary Motions :**

#### **4. Adjournment**

## **I. Report Items :**

### **Report 1**

To report 2019 operating results.

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

#### **2019 Business Report**

For the year of 2019, the company's net revenue is NT\$12.22 billion, a decrease of NT\$2.72 billion, or 18%, from the previous year's 14.94 billion. The rate of budget achievement is 99.7%; the profit before income tax is NT\$461 million, the net profit is NT\$398 million, and the earnings per share is NT\$1.19.

In 2019, the profit of GPS was good, so was EPS in our Zhongshan Plant. ABS profit was affected by US-China trade war, which had negative influence on market demand and our sales margin. The profit margin of SAN was still good, so we increase the sales volume and maintain the profit. EPS was facing China producers' competition in overseas market, which influenced our export performance. The performance of each product line is as follows:

The sales volume of ABS products was 121,000 MT. The output was higher than the year before by 10,000 MT, while the sales volume increased by 9,000 MT. The annual profit was NT\$ 86 million.

The output of GPS/IPS was 92,000 MT, while the sales volume was 94,000 MT. Both production and sales volume are higher than the year before by 48,000 MT. The annual profit was NT\$ 208 million.

The output of EPS was 49,000 MT, while the sales volume was 51,000 MT. Output decreased by 2,000MT than the year before, while sales volume remained the same. The annual result was in the red for NT\$ 18 million.

The total sales volume of ABS/PS products was 266,000 MT, an increase of 14,000 MT compared with last year. The budget achievement rate was 104%. The output was 262,000 MT, an increase of 13,000 MT compared with last year. The budget achievement rate was 103%, the revenue was NT\$10.84 billion, which was less than the year before by NT\$1,713 million, and the operating profit was NT\$276 million.

The output of glass wool products was 8,600 MT. The sales volume, including the imported rock wool, totals 13,000 MT. The revenue was NT\$ 469 million. The profit was NT\$34 million, which was less than the year before by NT\$1 million. As to the Cubic printing products, the sales volume was 72,000 JIG, and the revenue was NT\$ 64 million. Because the amount of auto parts transfer was less than last year, the spread was reduced, and ended in the red for NT\$ 5 million.

The company's profit from operations add the loss of raw materials for the sale is NT\$ 304 million.

Zhongshan plant, our re-invested company in mainland, had a stable profit and reached a budget achievement rate of 128%. As to the Tianjin plant, we have ceased the production in April. Adding other associates, total recognition share of profit of subsidiaries and associates was NT\$124 million. Other non-operating income and expenses was rental income NT\$23 million, exchange loss NT\$25 million, gain on financial assets

(liabilities) held for trading NT\$43 million, and interest expenses NT\$14 million. Total non-operating income and expense was NT\$157 million.

Looking forward to the year of 2020, other than the US-China trade war, there are the spread of the coronavirus. China mainland is the first to take the hit. The downstream factories delays returning to work, price of raw material styrene monomer drops, and ABS/PS sales slow. All these may affect our operating performance. 2020 annual work focus: ABS will increase the proportion of direct customers and export customers, PS to increase the ratio of more profitable injection grades, EPS continues to develop new market in countries that our share is relatively lower but profitability is better, and increase the percentage of our sales in more profitable general grades. The stock of raw materials and finished products will be kept as low levels while maximizing production and sales volume to achieve maximum profit. In addition, glass wool continues to strengthen the sales of fireproof cotton products and develop six-sided coated products and port board floor sound-proof products to increase domestic sales; export sales continued to increase the proportion of sales in Australia, New Zealand and South Africa to increase overall profit; and Cubic printing to strengthen non-auto parts development; Hope the operating performance of each production line can be further improved and profitable.

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 2019 Financial Statement.

## **Taita Chemical Company, Limited**

### **Audit Report**

This Audit Committee has audited the 2019 Business Report produced by the Board of Directors, the financial statements (including consolidated and individual financial statements) audited and certified by CPA Hsiu-Chun Huang and CPA Cheng-Chun Chiu 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

Taita Chemical Company, Limited 2020 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 20, 2020



## **Report Items :**

### Report 3

To report 2019 remuneration of directors and employees.

Description : 1. Proceeded in accordance with related orders of the Ministry of Economic Affairs and Article 25 of the Articles of Incorporation of the Company.

2. The compensation for employees in 2019 will be distributed in cash at 1%, NT\$4,656,313, of the 2019 earnings, and no compensation will be distributed to directors.

## **Report Items :**

### Report 4

To report the amendment to the “Ethical Corporate Management Best Practice Principles”.

Description : 1. Part of the “Ethical Corporate Management Best Practice Principles” was amended with respect to the amendment to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” promulgated by the Taiwan Stock Exchange Corporation.

2. The content of amended provisions to the “Ethical Corporate Management Best Practice Principles” is shown in the next page.

# Taita Chemical Company, Limited

## The Amendment to the

### “Ethical Corporate Management Best Practice Principles”

After amendment	Before amendment	Description
<p>Article 7: Scope of prevention plan The company shall establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly and review their adequacy and effectiveness on a regular basis.</p> <p>The prevention programs, which shall at least include preventive measures against the following:</p> <ol style="list-style-type: none"> <li>1. Offering and acceptance of bribes.</li> <li>2. Illegal political donations.</li> <li>3. Improper charitable donations or sponsorship.</li> <li>4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.</li> <li>5. <u>Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.</u></li> <li>6. <u>Engaging in unfair competitive practices.</u></li> <li>7. <u>Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement,</u></li> </ol>	<p>Article 7: Scope of prevention programs When establishing the prevention programs, the Company shall analyze which business activities within its business scope which are possibly at a higher risk of being involved in an unethical conduct, and strengthen the preventive measures.</p> <p>The prevention programs adopted by the Company shall at least include preventive measures against the following:</p> <ol style="list-style-type: none"> <li>I. Offering and acceptance of bribes.</li> <li>II. Illegal political donations.</li> <li>III. Improper charitable donations or sponsorship.</li> <li>IV. Offering or acceptance of unreasonable presents, services, hospitality, or other improper benefits.</li> </ol>	<ol style="list-style-type: none"> <li>1. Revisions made according to the amendment to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” by the competent authorities in May 2019.</li> <li>2. At the initial assessment in 2010, we adopted the preventive measures in subparagraphs 1-4. After re-assessment, we added preventive measures in subparagraphs</li> </ol>

<p><u>manufacture, provision, or sale of products and services.</u></p>		<p>5-7.</p>
<p>Article 8: Commitment and implementation  <u>Directors and General manager of the company shall issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.</u>  The Company and Group enterprises and organizations shall clearly specify in their rules and external documents the ethical corporate management policies and the commitment by the Board of Directors and the management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.  <u>The declarations, commitments and implementation of the above integrity management policy shall be produced and documented by all responsible units and properly preserved.</u></p>	<p>Article 8: Commitment and implementation  The Company and its Group enterprises and organizations shall clearly specify in their rules and external documents the ethical corporate management policies and the commitment by the Board of Directors and the management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.</p>	<p>The following articles have been added with respect to the amendment by the competent authorities.</p>
<p>Article 14 <u>Prohibition against infringement of intellectual property rights</u>  <u>Directors, managers, employees, mandataries, and substantial controllers of the company shall observe applicable laws and regulations, the company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise</u></p>		<p>New provisions added according to the amended “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p>

<p><u>infringe intellectual property rights without the prior consent of the intellectual property rights holder.</u></p>		
<p><u>Article 15 Prohibition of unfair competition</u>  <u>The company shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.</u></p>		<p>New provisions added according to the amended “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”</p>
<p><u>Article 16 Prevention of damage on Stakeholders from Products/Services</u>  <u>In the course of research and development, procurement, manufacture, provision, or sale of products and services, The company and our directors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services. They shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in their operations, with a view to preventing their products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders.</u>  <u>Where there are sufficient facts to</u></p>		<p>New provisions added according to the amended “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”</p>

<p><u>determine that the company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the company shall, in principle, recall those products or suspend the services immediately.</u></p>		
<p>Article 17: Organization and liability  The Company's Board of Directors shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.  To achieve sound ethnical corporate management, the Company's <u>governance team establishes and supervises the implementation</u> of the ethical corporate management policies and preventive programs according to the following duties.  <u>The chief corporate governance officer periodically (at least once a year) reports to the board of directors:</u>  1. <u>Establish regulations to implement the ethical management policy in compliance with the requirements of laws and regulations.</u>  2. <u>Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope.</u></p>	<p>Article 14: Organization and liability  The Company's Board of Directors shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.  To achieve sound ethical corporate management, the Company shall have its <u>Group HR Division</u> establish the ethical corporate management policies and prevention programs, and have <u>Audit Office supervise the implementation of such policies and programs</u> and report to the Board of Directors on a regular basis.</p>	<p>1. Seriation adjustment  2. Amend in accordance with the amended "Ethical Corporate Management Best Practice Principles for TWSE/GTS M Listed Companies."  "</p>

<p>3. <u>Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</u></p> <p>4. <u>Promoting and coordinating awareness and educational activities with respect to ethics policy.</u></p> <p>5. <u>Developing a whistle-blowing system and ensuring its operating effectiveness.</u></p> <p>6. <u>Assisting the board of directors and General manager in assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</u></p>		
<p>Article <u>18</u>: In compliance with laws and regulations of business executing</p>	<p>Article 15: In compliance with laws and regulations of business executing</p>	<p>Seriesation adjustment</p>
<p>Article <u>19</u>: Interest avoidance</p>	<p>Article 16: Interest avoidance of directors and managers</p>	
<p>Article <u>20</u>: Accounting and internal control The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews</p>	<p>Article 17: Accounting and internal control The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews</p>	<p>1. Seriesation adjustment 2. Amend in accordance with the amended "Ethical Corporate Management Best</p>

<p>regularly so as to ensure that the design and enforcement of the systems remain effective.</p> <p>The Company's internal audit officers shall, <u>based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and examine accordingly the compliance with the prevention programs.</u></p> <p><u>The results of examination in the preceding paragraph shall be reported to senior management and the ethical management dedicated unit and put down in writing in the form of an audit report to be submitted to the board of directors and Audit Committee.</u></p>	<p>regularly so as to ensure that the design and enforcement of the systems remain effective.</p> <p>The Company's internal audit officers shall periodically examine the Company's compliance with the foregoing systems and prepare audit reports and submit the same to the Board of Directors.</p>	<p>Practice Principles for TWSE/GTSM Listed Companies.</p> <p>”</p>
<p>Article <u>21</u>~ Article <u>25</u></p>	<p>Article 18~ Article 22</p>	<p>Only seriation adjustment without content revision.</p>
<p>Article 26 Implement</p> <p>These Principles and any amendments hereto, shall be implemented after adoption by resolution of the Board of Directors.</p>	<p>Article 23 Enforcement</p> <p>These Principles shall be implemented upon approval by resolution of the Board of Directors, <u>and reported to a shareholders' meeting.</u> The same shall apply where these Principles are amended.</p>	<p>Simplification of operating procedures.</p>



## **Report Items :**

### Report 5

To report the amendment to the “Operating Procedures for Ethical Management and Guidelines for Conduct”.

Description : 1. Part of the “Operating Procedures for Ethical Management and Guidelines for Conduct” was amended with respect to the amendment to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” promulgated by the Taiwan Stock Exchange Corporation.

2. The content of amended provisions to the “Operating Procedures for Ethical Management and Guidelines for Conduct” is shown in the next page.

**Taita Chemical Company, Limited**  
**The Amendment to the “Operating Procedures for Ethical**  
**Management and Guidelines for Conduct”**

After amendment	Before amendment	Description
<p>Article 5. (Dedicated Unit)  This Company appoints the <u>governance team</u> (the “Dedicated Unit”) <u>under the board of directors to establish and supervise the implementation of the ethical corporate management policies and preventive programs. The chief corporate governance officer shall be in charge of the following matters and report to the board of directors periodically(at least once a year):</u></p> <p><u>I. Establish regulations to implement the ethical management policy according to the laws and regulations.</u></p> <p><u>II. Periodically analyzes and assess the risk of unethical behavior within the scope of business.</u></p> <p><u>III. Planning the internal organization, structure and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical behavior.</u></p> <p><u>IV. Promoting and coordinating awareness and educational activities with respect to ethics policy.</u></p> <p><u>V. Developing a whistleblower system and ensuring its operating effectiveness.</u></p> <p><u>VI. Assisting the board of directors and General manager in assessing</u></p>	<p>Article 5. (Dedicated Unit)  The Company shall designate its Group HR Division as the dedicated unit (hereinafter referred to as the “dedicated unit”) in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, and the recording and filing of reports and submission of regular reports to the Board of Directors.</p>	<p>Revisions made according to the amendment to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” by the competent authorities in May 2019.</p>

<p><u>whether the preventive measures for ethical management are effectively implemented, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</u></p>		
<p>Article 24 (Implement) These Procedures and Guidelines, and any amendments hereto, shall be implemented after adoption by resolution of the Board of Directors.</p>	<p>Article 24. (Enforcement) These Procedures and Guidelines shall be enforced upon approval by a directors' meeting, <u>and reported to a shareholders' meeting.</u> The same shall apply where these Procedures and Guidelines are amended.</p>	<p>Simplification of operating procedures.</p>

## **II. Matters for Ratification and Discussion :**

### Proposal 1

Proposed by the Board

To ratify 2019 Business Report and Financial Statements.

Description: 1. The 2019 financial statements (including consolidated and individual financial statements) approved by the Board on March 5, 2020 are audited by CPA Hsiu-Chun Huang and CPA Cheng-Chun Chiu of Deloitte Taiwan and the Audit Committee for the record.

2. Please refer to p.4-6 of this Handbook for the 2019 Business Report and p.20-41 for the CPA Audit Report and the financial statements.

Resolution :

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The entities that are required to be included in the combined financial statements of Taita Chemical Co., Ltd. as of and for the year ended December 31, 2019, under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements of affiliates is included in the consolidated financial statements of Taita Chemical Co., Ltd. and subsidiaries. Consequently, we did not prepare a separate set of combined financial statements of affiliates.

Very truly yours,

TAITA CHEMICAL CO., LTD.

By:

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YI-GUI WU  
Chairman

March 20, 2020

## **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 (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 audit of the financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020 and auditing standards generally accepted in the Republic of China. We conducted our audit of the financial statements for the year ended December 31, 2018 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 consolidated financial statements for the year ended December 31, 2019. 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.

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

### Allowance for Impairment Loss of Accounts Receivable

As of December 31, 2019, the carrying amount of notes and accounts receivable was NT\$2,228,261 thousand (i.e., the gross amount of notes and accounts receivable of NT\$2,291,886 thousand with a deduction of allowances for impairment of NT\$63,625 thousand) which accounted for 28% of the total assets. The Group's estimation of expected credit loss is based on customers' credit quality, the Group's historical experience, existing market conditions and forward looking estimates. The estimation of expected credit loss involves critical judgment and estimation uncertainty. Thus, we identified the estimation of allowance for impairment loss of notes and accounts receivable as one of the key audit matters.

For the significant accounting policies and critical accounting judgments and key sources of estimation uncertainty related to the estimation of allowance for impairment loss of accounts receivable, refer to Notes 4, 5 and 10 to the consolidated financial statements.

We performed the corresponding audit procedures, for the estimation of allowance for impairment loss of accounts receivable, as follows:

1. We understood and evaluated the Group's internal control procedures on the allowance for impairment loss of accounts receivable.
2. We evaluated the reasonableness of classification and allowance percentage for credit losses, which were assumed by the management's judgment on customers' credit quality, aging schedule of notes and accounts receivable and the amount overdue. We sampled and inspected the aging schedule of notes and accounts receivable to verify the correctness and reasonableness of the computation, and we also compared the distribution of the aging schedule of notes and accounts receivable between the current year and the previous year.
3. We examined the amounts written off during the current year and the previous year and also checked the amounts received in the subsequent period to evaluate the recoverability of accounts receivable.

### Estimation of Inventory Write-downs

As of December 31, 2019, the carrying amount of inventory was NT\$746,284 thousand (i.e., the gross amount of inventory was NT\$750,995 thousand with a deduction of inventory valuation allowance of NT\$4,711 thousand) and was accounted for 9 % of the total assets.

Inventories of the Group are stated on the lower of cost or net realizable value. The net realizable value is subject to price fluctuations of styrene monomer. With volatile oil prices worldwide, such valuation of inventory requires significant judgment from management. Thus, we identified inventory write-downs as one of the key audit matters.

For accounting policies and critical accounting judgments and key sources of estimation uncertainty related to the estimation of inventory write-downs, refer to Notes 4, 5 and 11 to the consolidated financial statements.

The main audit procedures that we performed in respect of the inventory write-downs included the following:

1. We understood and evaluated the reasonableness of the Group's policy and methods of the allowance for loss of inventory.
2. We obtained the evaluation documents of the allowance for loss on inventory from management. We sampled and inspected the latest inventory quotations or sales invoices to verify the basis and appropriateness of the management's evaluation.
3. We observed the year-end inventory and we confirmed the inventory status and evaluated the reasonableness of the allowance for loss of inventory.

## **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, 2019 and 2018 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 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, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsiu-Chun Huang and Cheng-Chun Chiu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 20, 2020

Notice to Readers

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

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

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,312,018	16	\$ 602,671	7
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	306,472	4	404,219	5
Financial assets at amortized cost - current (Notes 4, 9 and 32)	3,000	-	94,636	1
Notes receivable (Notes 4, 5 and 10)	287,861	4	674,101	8
Accounts receivable (Notes 4, 5 and 10)	1,931,006	24	2,232,892	26
Accounts receivable from related parties (Notes 4, 5, 10 and 31)	9,394	-	32,876	-
Other receivables (Notes 4 and 10)	67,739	1	100,356	1
Other receivables from related parties (Notes 4, 10 and 31)	7,735	-	3,918	-
Current tax assets (Note 27)	2,560	-	2,560	-
Inventories (Notes 4, 5 and 11)	746,284	9	1,159,524	13
Prepayments and other current assets (Notes 3, 18, 19 and 32)	<u>127,411</u>	<u>2</u>	<u>83,847</u>	<u>1</u>
Total current assets	<u>4,801,480</u>	<u>60</u>	<u>5,391,600</u>	<u>62</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	209,305	3	182,836	2
Investments accounted for using the equity method (Notes 5 and 13)	517,498	7	498,990	6
Property, plant and equipment (Notes 14, 19, 31 and 32)	2,174,859	27	2,373,653	27
Right-of-use assets (Notes 3, 4, 15, 19 and 32)	84,631	1	-	-
Investment properties (Notes 16, 19 and 32)	108,178	1	108,178	1
Other intangible assets (Note 17)	7,448	-	9,668	-
Deferred tax assets (Notes 5 and 27)	77,542	1	103,757	1
Long-term prepayments for leases (Notes 3, 18, 19 and 32)	-	-	35,217	1
Other non-current assets (Note 32)	<u>23,800</u>	<u>-</u>	<u>23,647</u>	<u>-</u>
Total non-current assets	<u>3,203,261</u>	<u>40</u>	<u>3,335,946</u>	<u>38</u>
<b>TOTAL</b>	<u>\$ 8,004,741</u>	<u>100</u>	<u>\$ 8,727,546</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 14, 15, 19 and 32)	\$ 1,197,082	15	\$ 2,004,800	23
Short-term bills payable (Note 19)	-	-	20,000	-
Accounts payable (Note 20)	682,883	8	922,418	11
Accounts payable from related parties (Notes 20 and 31)	822	-	390	-
Other payables (Note 21)	301,532	4	314,760	4
Other payables from related parties (Note 31)	7,623	-	7,187	-
Current tax liabilities (Note 27)	57,749	1	7,746	-
Lease liabilities - current (Note 3, 4, 15 and 31)	4,464	-	-	-
Refund liabilities - current (Note 22)	909	-	806	-
Other current liabilities	<u>25,630</u>	<u>-</u>	<u>38,603</u>	<u>-</u>
Total current liabilities	<u>2,278,694</u>	<u>28</u>	<u>3,316,710</u>	<u>38</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 14, 16, 19 and 32)	1,000,000	12	1,000,000	11
Deferred tax liabilities (Note 27)	144,973	2	151,418	2
Lease liabilities - non-current (Note 3, 4, 15 and 31)	47,451	1	-	-
Net defined benefit liabilities - non-current (Note 23)	229,914	3	262,226	3
Other non-current liabilities	<u>3,946</u>	<u>-</u>	<u>5,235</u>	<u>-</u>
Total non-current liabilities	<u>1,426,284</u>	<u>18</u>	<u>1,418,879</u>	<u>16</u>
Total liabilities	<u>3,704,978</u>	<u>46</u>	<u>4,735,589</u>	<u>54</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 3 and 24)</b>				
Share capital	<u>3,342,048</u>	<u>42</u>	<u>3,276,518</u>	<u>38</u>
Capital surplus	<u>810</u>	<u>-</u>	<u>779</u>	<u>-</u>
Retained earnings				
Legal reserve	42,017	-	21,220	-
Special reserve	308,061	4	308,061	3
Unappropriated earnings	<u>647,893</u>	<u>8</u>	<u>402,112</u>	<u>5</u>
Total retained earnings	<u>997,971</u>	<u>12</u>	<u>731,393</u>	<u>8</u>
Other equity	<u>(41,066)</u>	<u>-</u>	<u>(16,733)</u>	<u>-</u>
Total equity	<u>4,299,763</u>	<u>54</u>	<u>3,991,957</u>	<u>46</u>
<b>TOTAL</b>	<u>\$ 8,004,741</u>	<u>100</u>	<u>\$ 8,727,546</u>	<u>100</u>

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

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2019		2018	
	Amount	%	Amount	%
NET REVENUE (Notes 4, 22, 25 and 31)	\$ 17,672,204	100	\$ 21,683,702	100
OPERATING COSTS (Notes 11, 14, 23, 26 and 31)	<u>16,426,138</u>	<u>93</u>	<u>20,639,959</u>	<u>95</u>
GROSS PROFIT	<u>1,246,066</u>	<u>7</u>	<u>1,043,743</u>	<u>5</u>
OPERATING EXPENSES (Notes 23, 26 and 31)				
Selling and marketing expenses	523,389	3	543,956	2
General and administrative expenses	182,964	1	199,092	1
Research and development expenses	<u>25,048</u>	<u>-</u>	<u>23,077</u>	<u>-</u>
Total operating expenses	<u>731,401</u>	<u>4</u>	<u>766,125</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>514,665</u>	<u>3</u>	<u>277,618</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES (Notes 7, 13, 26 and 31)				
Other income	76,647	-	64,920	-
Other gains and losses	(15,851)	-	34,813	-
Share of profit of associates	33,834	-	9,250	-
Finance costs	<u>(51,091)</u>	<u>-</u>	<u>(55,349)</u>	<u>-</u>
Total non-operating income and expenses	<u>43,539</u>	<u>-</u>	<u>53,634</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	558,204	3	331,252	2
INCOME TAX EXPENSE (Note 27)	<u>160,227</u>	<u>1</u>	<u>123,279</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>397,977</u>	<u>2</u>	<u>207,973</u>	<u>1</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 13, 23, 24 and 27)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	3,785	-	10,196	-

(Continued)

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2019		2018	
	Amount	%	Amount	%
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	30,287	-	(64,111)	(1)
Share of the other comprehensive income (loss) of associates accounted for using the equity method - unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	5,357	-	(19,147)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method - remeasurement of defined benefit plans	(312)	-	619	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(910)</u>	<u>-</u>	<u>4,287</u>	<u>-</u>
	<u>38,207</u>	<u>-</u>	<u>(68,156)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(71,262)	-	(64,480)	-
Share of the other comprehensive loss of associates accounted for using the equity method - exchange differences on translating the financial statements of foreign operations	(3,182)	-	(1,852)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>14,619</u>	<u>-</u>	<u>10,215</u>	<u>-</u>
	<u>(59,825)</u>	<u>-</u>	<u>(56,117)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(21,618)</u>	<u>-</u>	<u>(124,273)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 376,359</u>	<u>2</u>	<u>\$ 83,700</u>	<u>-</u>
<b>EARNINGS PER SHARE (Note 28)</b>				
Basic	<u>\$ 1.19</u>		<u>\$ 0.62</u>	
Diluted	<u>\$ 1.19</u>		<u>\$ 0.62</u>	

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

(Concluded)

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

Equity Attributable to Owners of the Company (Notes 3, 13 and 24)

	Share Capital		Capital Surplus			Retained Earnings (Accumulated Deficits)				Other Equity			Total	Total Equity	
	Shares (In Thousands)	Amount	Long-term Equity Investment	Unpaid Dividends	Total	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Unrealized			Total
												Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			
BALANCE AT JANUARY 1, 2018	327,652	\$ 3,276,518	\$ 469	\$ -	\$ 469	\$ -	\$ 308,061	\$ 200,475	\$ 508,536	\$ (78,384)	\$ -	\$ 200,808	\$ 122,424	\$ 3,907,947	
Appropriation of 2017 earnings															
Legal reserve	-	-	-	-	-	21,220	-	(21,220)	-	-	-	-	-	-	
Changes in capital surplus	-	-	14	296	310	-	-	-	-	-	-	-	-	310	
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	207,973	207,973	-	-	-	-	207,973	
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	14,884	14,884	(56,117)	-	(83,040)	(139,157)	(124,273)	
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	222,857	222,857	(56,117)	-	(83,040)	(139,157)	83,700	
BALANCE AT DECEMBER 31, 2018	327,652	3,276,518	483	296	779	21,220	308,061	402,112	731,393	(134,501)	-	117,768	(16,733)	3,991,957	
Effect of retrospective application	-	-	-	-	-	-	-	(3,054)	(3,054)	-	-	-	-	(3,054)	
BALANCE AT JANUARY 1, 2019 AS RESTATED	327,652	3,276,518	483	296	779	21,220	308,061	399,058	728,339	(134,501)	-	117,768	(16,733)	3,988,903	
Appropriation of 2018 earnings															
Legal reserve	-	-	-	-	-	20,797	-	(20,797)	-	-	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	-	-	-	(65,530)	(65,530)	-	-	-	-	(65,530)	
Share dividends distributed by the Company	6,553	65,530	-	-	-	-	-	(65,530)	(65,530)	-	-	-	-	-	
Changes in capital surplus	-	-	31	-	31	-	-	-	-	-	-	-	-	31	
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	-	397,977	397,977	-	-	-	-	397,977	
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	-	2,715	2,715	(59,825)	-	35,492	(24,333)	(21,618)	
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	-	400,692	400,692	(59,825)	-	35,492	(24,333)	376,359	
BALANCE AT DECEMBER 31, 2019	334,205	\$ 3,342,048	\$ 514	\$ 296	\$ 810	\$ 42,017	\$ 308,061	\$ 647,893	\$ 997,971	\$ (194,326)	\$ -	\$ 153,260	\$ (41,066)	\$ 4,299,763	

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

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 558,204	\$ 331,252
Adjustments for:		
Depreciation expenses	207,777	194,604
Amortization expenses	2,220	3,167
(Reversal of) expected credit loss	(6,888)	1,434
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	(40,844)	(22,937)
Finance costs	51,091	55,349
Interest income	(25,213)	(12,922)
Dividend income	(4,617)	(4,444)
Share of profit of associates	(33,834)	(9,250)
Loss on disposal of property, plant and equipment	667	1,054
Amortization of prepayments for leases	-	1,244
(Reversal of) write-down of inventories	(55,133)	35,632
Impairment loss recognized on property, plant and equipment	60,265	-
Net loss (gain) on foreign currency exchange	(2)	2,879
Recognition of refund liabilities	7,535	10,493
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	138,537	(75,296)
Notes receivable	376,775	(7,235)
Accounts receivable	282,905	(33,039)
Accounts receivable from related parties	23,482	(28,818)
Other receivables	38,964	17,463
Other receivables from related parties	(3,798)	1,878
Inventories	467,766	52,579
Prepayments	(52,423)	21,025
Other current assets	113	684
Accounts payable	(242,079)	(517,766)
Accounts payable from related parties	432	(105)
Other payables	522	(10,546)
Other payables from related parties	434	(1,395)
Other current liabilities	(12,680)	24,712
Net defined benefit liabilities	(28,527)	(331,925)
Cash generated from (used in) operations	1,711,651	(300,229)
Interest received	18,554	12,920
Interest paid	(51,604)	(55,000)
Income tax paid	(75,869)	(161,083)
Net cash generated from (used in) operating activities	<u>1,602,732</u>	<u>(503,392)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	3,827	1,185
Purchase of financial assets at amortized cost	(126,659)	(457,284)

(Continued)

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

	<b>2019</b>	<b>2018</b>
Proceeds from disposal of available-for-sale financial assets	219,799	454,138
Payments for property, plant and equipment	(93,197)	(159,922)
Proceeds from disposal of property, plant and equipment	2,166	44
Increase in refundable deposits	(155)	(425)
Payments for intangible assets	-	(1,767)
Dividends received	<u>19,683</u>	<u>19,071</u>
Net cash generated from (used in) investing activities	<u>25,464</u>	<u>(144,960)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	(791,621)	907,525
Decrease in short-term bills payable	(20,000)	(170,000)
Proceeds from long-term borrowings	850,000	3,400,000
Repayments of long-term borrowings	(850,000)	(3,400,000)
Repayments of the principal portion of lease liabilities	(4,416)	-
Decrease in other non-current liabilities	(1,253)	(2,276)
Cash dividends	<u>(65,501)</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>(882,791)</u>	<u>735,249</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>(36,058)</u>	<u>10,928</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>709,347</b>	<b>97,825</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u><b>602,671</b></u>	<u><b>504,846</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><b>\$ 1,312,018</b></u>	<u><b>\$ 602,671</b></u>

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

(Concluded)

## **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, 2019 and 2018, 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 (collectively referred to as the "financial statements").

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

### **Basis for Opinion**

We conducted our audit of the financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020 and auditing standards generally accepted in the Republic of China. We conducted our audit of the financial statements for the year ended December 31, 2018 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, 2019. 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.



The key audit matters identified in the Company's financial statements for the year ended December 31, 2019 are stated as follows:

#### Allowance for Impairment Loss of Accounts Receivable

As of December 31, 2019, the carrying amount of notes and accounts receivable were NT\$1,473,529 thousand (i.e., the gross amount of notes and accounts receivable of NT\$1,527,498 thousand with a deduction of allowances for impairment of NT\$53,969 thousand) which accounted for 21% of the total assets. The Company's estimation of expected credit loss is based on customers' credit quality, the Company's historical experience, existing market conditions and forward looking estimates. The estimation of expected credit loss involves critical judgment and estimation uncertainty. Thus, we identified the estimation of allowance for impairment loss of notes and accounts receivable as one of the key audit matters.

For the significant accounting policies and critical accounting judgments and key sources of estimation uncertainty related to the estimation of allowance for impairment loss of accounts receivable, refer to Notes 4, 5 and 10 to the consolidated financial statements.

We performed the corresponding audit procedures, for the estimation of allowance for impairment loss of accounts receivable, as follows:

1. We understood and evaluated the Company's internal control procedures on the allowance for impairment loss of accounts receivable.
2. We evaluated the reasonableness of classification and allowance percentage for credit losses, which were assumed by the management's judgment on customers' credit quality, aging schedule of notes and accounts receivable and the amount overdue. We sampled and inspected the aging schedule of notes and accounts receivable to verify the correctness and reasonableness of the computation, and we also compared the distribution of the aging schedule of notes and accounts receivable between the current year and the previous year.
3. We examined the amounts written off during the current year and the previous year and also checked the amounts received in the subsequent period to evaluate the recoverability of accounts receivable.

#### Estimation of Inventory Write-downs

As of December 31, 2019, the carrying amount of inventory was NT\$546,083 thousand (i.e., the gross amount of inventory was NT\$550,284 thousands with a deduction of inventory valuation allowance of NT\$4,201 thousands) and was accounted for 8% of the total assets.

Inventories of the Company are stated on the lower of cost or net realizable value. The net realizable value is subject to price fluctuations of styrene monomer. With volatile oil prices worldwide, such valuation of inventory requires significant judgment from management. Thus, we identified inventory write-downs as one of the key audit matters.

For accounting policies and critical accounting judgments and key sources of estimation uncertainty related to the estimation of inventory write-downs, refer to Notes 4, 5 and 11 to the financial statements.

The main audit procedures that we performed in respect of the inventory write-downs included the following:

1. We understood and evaluated the reasonableness of the Company's policy and methods of the allowance for loss of inventory.
2. We obtained the evaluation documents of the allowance for loss on inventory from management. We sampled and inspected the latest inventory quotations or sales invoices to verify the basis and appropriateness of the management's evaluation.
3. We observed the year-end inventory and we confirmed the inventory status and evaluated the reasonableness of the allowance for loss of inventory.

### **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 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, 2019 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 Hsiu-Chun Huang and Cheng-Chun Chiu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 20, 2020

Notice to Readers

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

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

**TAITA CHEMICAL CO., LTD.**
**BALANCE SHEETS**
**DECEMBER 31, 2019 AND 2018**
**(In Thousands of New Taiwan Dollars)**

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 89,730	1	\$ 83,628	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	306,472	4	404,219	6
Financial assets at amortized cost - current (Notes 4, 9 and 30)	3,000	-	3,000	-
Notes receivable (Notes 4 and 10)	28,859	-	53,235	1
Accounts receivable (Notes 4, 5 and 10)	1,377,661	20	1,489,787	20
Accounts receivable from related parties (Notes 4, 5, 10 and 29)	67,009	1	155,423	2
Other receivables (Notes 4 and 10)	61,195	1	100,376	1
Other receivables from related parties (Notes 4, 10 and 29)	287,197	4	176,832	2
Current tax assets (Note 25)	2,560	-	2,560	-
Inventories (Notes 4, 5 and 11)	546,083	8	659,525	9
Prepayments	60,396	1	57,943	1
Other current assets	98	-	315	-
Total current assets	<u>2,830,260</u>	<u>40</u>	<u>3,186,843</u>	<u>43</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	209,299	3	180,281	3
Investments accounted for using the equity method (Notes 5 and 12)	1,907,096	27	1,870,001	25
Property, plant and equipment (Notes 13, 17, 29 and 30)	1,836,939	26	1,934,916	26
Right-of-use assets (Notes 3, 4, 14 and 29)	50,813	1	-	-
Investment properties (Notes 15, 17 and 30)	108,178	2	108,178	2
Other intangible assets (Note 16)	7,448	-	9,668	-
Deferred tax assets (Notes 5 and 25)	73,866	1	95,492	1
Other non-current assets (Note 30)	23,738	-	23,580	-
Total non-current assets	<u>4,217,377</u>	<u>60</u>	<u>4,222,116</u>	<u>57</u>
<b>TOTAL</b>	<u>\$ 7,047,637</u>	<u>100</u>	<u>\$ 7,408,959</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 17)	\$ 420,000	6	\$ 1,080,000	15
Short-term bills payable (Note 17)	-	-	20,000	-
Accounts payable (Note 18)	606,900	9	632,911	9
Accounts payable from related parties (Notes 18 and 29)	822	-	390	-
Other payables (Note 19)	230,027	3	228,144	3
Other payables from related parties (Note 29)	7,623	-	6,978	-
Current tax liabilities (Note 25)	34,467	1	1,181	-
Lease liabilities - current (Notes 3, 4, 14 and 29)	4,464	-	-	-
Refund liabilities - current (Note 20)	909	-	806	-
Other current liabilities	18,695	-	31,919	-
Total current liabilities	<u>1,323,907</u>	<u>19</u>	<u>2,002,329</u>	<u>27</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 13, 15, 17 and 30)	1,000,000	14	1,000,000	13
Deferred tax liabilities (Note 25)	144,973	2	151,418	2
Lease liabilities - non-current (Notes 3, 4, 14 and 29)	47,451	1	-	-
Net defined benefit liabilities - non-current (Note 21)	229,914	3	262,226	4
Other non-current liabilities	1,629	-	1,029	-
Total non-current liabilities	<u>1,423,967</u>	<u>20</u>	<u>1,414,673</u>	<u>19</u>
Total liabilities	<u>2,747,874</u>	<u>39</u>	<u>3,417,002</u>	<u>46</u>
<b>EQUITY (Notes 3 and 22)</b>				
Share capital	3,342,048	48	3,276,518	44
Capital surplus	810	-	779	-
Retained earnings				
Legal reserve	42,017	1	21,220	-
Special reserve	308,061	4	308,061	4
Unappropriated earnings	647,893	9	402,112	6
Total retained earnings	997,971	14	731,393	10
Other equity	(41,066)	(1)	(16,733)	-
Total equity	<u>4,299,763</u>	<u>61</u>	<u>3,991,957</u>	<u>54</u>
<b>TOTAL</b>	<u>\$ 7,047,637</u>	<u>100</u>	<u>\$ 7,408,959</u>	<u>100</u>

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

**TAITA CHEMICAL CO., LTD.**

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2019		2018	
	Amount	%	Amount	%
NET REVENUE (Notes 4, 20, 23 and 29)	\$ 12,219,221	100	\$ 14,943,406	100
OPERATING COSTS (Notes 11, 14, 15, 21, 24 and 29)	<u>11,320,955</u>	<u>92</u>	<u>14,252,749</u>	<u>95</u>
GROSS PROFIT	<u>898,266</u>	<u>8</u>	<u>690,657</u>	<u>5</u>
UNREALIZED (GAIN) LOSS ON TRANSACTIONS WITH SUBSIDIARIES	<u>(1,123)</u>	<u>-</u>	<u>1,852</u>	<u>-</u>
OPERATING EXPENSES (Notes 10, 21, 24 and 29)				
Selling and marketing expenses	449,986	4	454,722	3
General and administrative expenses	118,102	1	126,781	1
Research and development expenses	<u>25,048</u>	<u>-</u>	<u>23,077</u>	<u>-</u>
Total operating expenses	<u>593,136</u>	<u>5</u>	<u>604,580</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>304,007</u>	<u>3</u>	<u>87,929</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES (Notes 7, 12, 15, 24 and 29)				
Other income	54,048	-	59,031	-
Other gains and losses	3,067	-	77,890	1
Share of profit of subsidiaries and associates	124,044	1	56,112	-
Finance costs	<u>(24,191)</u>	<u>-</u>	<u>(27,567)</u>	<u>-</u>
Total non-operating income and expenses	<u>156,968</u>	<u>1</u>	<u>165,466</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	460,975	4	253,395	2
INCOME TAX EXPENSE (Note 25)	<u>62,998</u>	<u>1</u>	<u>45,422</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>397,977</u>	<u>3</u>	<u>207,973</u>	<u>2</u>
OTHER COMPREHENSIVE LOSS (Notes 8, 12, 21, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				

(Continued)

TAITA CHEMICAL CO., LTD.

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2019		2018	
	Amount	%	Amount	%
Remeasurement of defined benefit plans	3,785	-	10,196	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	29,523	-	(63,510)	(1)
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method - unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	6,121	-	(19,748)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method - remeasurement of defined benefit plans	(312)	-	619	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(910)	-	4,287	-
	<u>38,207</u>	<u>-</u>	<u>(68,156)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(73,095)	-	(65,846)	-
Share of the other comprehensive loss of associates accounted for using the equity method - exchange differences on translating the financial statements of foreign operations	(1,349)	-	(486)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	14,619	-	10,215	-
	<u>(59,825)</u>	<u>-</u>	<u>(56,117)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(21,618)</u>	<u>-</u>	<u>(124,273)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 376,359</u>	<u>3</u>	<u>\$ 83,700</u>	<u>1</u>
<b>EARNINGS PER SHARE (Note 26)</b>				
Basic	<u>\$ 1.19</u>		<u>\$ 0.62</u>	
Diluted	<u>\$ 1.19</u>		<u>\$ 0.62</u>	

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

(Concluded)

TAITA CHEMICAL CO., LTD.

STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	Share Capital - Ordinary (Note 22)		Capital Surplus (Note 22)			Retained Earnings (Notes 21 and 22)				Other Equity (Note 22)			Total Equity	
						Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		Total
	Shares (In Thousands)	Amount	Long-term Equity Investment	Unpaid Dividends	Total									
BALANCE AT JANUARY 1, 2018	327,652	\$ 3,276,518	\$ 469	\$ -	\$ 469	\$ -	\$ 308,061	\$ 197,920	\$ 505,981	\$ (78,384)	\$ 200,966	\$ -	\$ 122,582	\$ 3,905,550
Effect of retrospective application	-	-	-	-	-	-	-	2,555	2,555	-	(200,966)	200,808	(158)	2,397
BALANCE AT JANUARY 1, 2018 AS RESTATED	327,652	3,276,518	469	-	469	-	308,061	200,475	508,536	(78,384)	-	200,808	122,424	3,907,947
Appropriation of 2017 earnings Legal reserve	-	-	-	-	-	21,220	-	(21,220)	-	-	-	-	-	-
Changes in capital surplus	-	-	14	296	310	-	-	-	-	-	-	-	-	310
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	207,973	207,973	-	-	-	-	207,973
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	14,884	14,884	(56,117)	-	(83,040)	(139,157)	(124,273)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	222,857	222,857	(56,117)	-	(83,040)	(139,157)	83,700
BALANCE AT DECEMBER 31, 2018	327,652	3,276,518	483	296	779	21,220	308,061	402,112	731,393	(134,501)	-	117,768	(16,733)	3,991,957
Effect of retrospective application	-	-	-	-	-	-	-	(3,054)	(3,054)	-	-	-	-	(3,054)
BALANCE AT JANUARY 1, 2019 AS RESTATED	327,652	3,276,518	483	296	779	21,220	308,061	399,058	728,339	(134,501)	-	117,768	(16,733)	3,988,903
Appropriation of 2018 earnings Legal reserve	-	-	-	-	-	20,797	-	(20,797)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	(65,530)	(65,530)	-	-	-	-	(65,530)
Share dividends distributed by the Company	6,553	65,530	-	-	-	-	-	(65,530)	(65,530)	-	-	-	-	-
Changes in capital surplus	-	-	31	-	31	-	-	-	-	-	-	-	-	31
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	-	397,977	397,977	-	-	-	-	397,977
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	-	2,715	2,715	(59,825)	-	35,492	(24,333)	(21,618)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	-	400,692	400,692	(59,825)	-	35,492	(24,333)	376,359
BALANCE AT DECEMBER 31, 2019	334,205	\$ 3,342,048	\$ 514	\$ 296	\$ 810	\$ 42,017	\$ 308,061	\$ 647,893	\$ 997,971	\$ (194,326)	\$ -	\$ 153,260	\$ (41,066)	\$ 4,299,763

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



**TAITA CHEMICAL CO., LTD.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 460,975	\$ 253,395
Adjustments for:		
Depreciation expenses	164,841	148,845
Amortization expenses	2,220	3,167
Expected credit loss	672	547
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	(40,844)	(22,937)
Finance costs	24,191	27,567
Interest income	(9,963)	(8,672)
Dividend income	(4,617)	(4,444)
Share of profit of subsidiaries and associates	(124,044)	(56,112)
Loss on disposal of property, plant and equipment	8	368
(Reversal of) write-down of inventories	(21,019)	17,679
Unrealized gain (loss) on the transactions with subsidiaries	1,123	(1,852)
Recognition of refund liabilities	7,535	10,493
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	138,591	(75,796)
Notes receivable	24,376	(15,306)
Accounts receivable	104,022	(29,153)
Accounts receivable from related parties	88,414	(92,551)
Other receivables	39,180	(37,832)
Other receivables from related parties	(110,365)	(11,233)
Inventories	134,461	222,233
Prepayments	(2,453)	23,770
Other current assets	217	581
Accounts payable	(26,011)	(605,680)
Accounts payable from related parties	432	(105)
Other payables	12,091	(20,836)
Other payables from related parties	645	(1,407)
Other current liabilities	(13,224)	20,417
Net defined benefit liabilities	(28,527)	(331,925)
Cash generated from (used in) operations	822,927	(586,779)
Interest received	9,964	8,670
Interest paid	(24,810)	(27,039)
Income tax paid	(822)	(56,284)
Net cash generated from (used) in operating activities	<u>807,259</u>	<u>(661,432)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	505	1,185
Payments for property, plant and equipment	(71,870)	(135,185)
Increase in refundable deposits	(158)	(403)
Payments for intangible assets	-	(1,767)

(Continued)

**TAITA CHEMICAL CO., LTD.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

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	<b>2019</b>	<b>2018</b>
Dividends received	<u>19,683</u>	<u>19,071</u>
Net cash used in investing activities	<u>(51,840)</u>	<u>(117,099)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in short-term borrowings	(660,000)	960,000
Decrease in short-term bills payable	(20,000)	(170,000)
Proceeds from long-term borrowings	850,000	3,400,000
Repayments of long-term borrowings	(850,000)	(3,400,000)
Repayment of the principal portion of lease liabilities	(4,416)	-
Increase (decrease) in other non-current liabilities	600	(451)
Cash Dividends	<u>(65,501)</u>	<u>-</u>
Net cash (used in) generated from financing activities	<u>(749,317)</u>	<u>789,549</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	6,102	11,018
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>83,628</u>	<u>72,610</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 89,730</u>	<u>\$ 83,628</u>

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

(Concluded)

## **Matters for Ratification and Discussion :**

### Proposal 2

Proposed by the Board

To ratify 2019 earnings distribution.

Description: 1. In 2019, the earnings after tax was NT\$397,639,093. After appropriating NT\$39,763,909 as the legal reserve, the distributable net profit of 2019 is NT\$357,875,184. By the end of 2019, the accumulated distributable earnings is NT\$608,129,062 and will be distributed as follows :

- (1) Cash dividend : NT\$100,261,468, i.e. NT\$0.3 per share.
- (2) Stock dividend : NT\$100,261,460, i.e. NT\$0.3 per share, or 30 shares per 1,000 shares.

The unappropriated earnings after distribution will be NT\$407,606,134.

2. Please refer to p.44, "Profit Distribution Table", for details.
3. According to this proposal, the profit of 2019 will first be distributed, and the

insufficiency will be distributed from the profit of previous years.

4. The cash dividends allocated to each shareholder shall be rounded down to a whole dollar amount of New Taiwan Dollars, and the total amount of allocation will be subject to the actual amount allocated.
5. Please authorize the Chairman to set a target date for the distribution of cash dividends after the adoption of this proposal.

Resolution :

## Taita Chemical Company, Limited

### 2019 Profit Distribution Table

	expressed in NTD
Net profit before tax of 2019	460,974,943
Less: Income tax	(62,998,159)
Net profit of 2019	<u>397,976,784</u>
Less: Retrospective application of the impact of IFRS 16	(898,829)
Less: Retained earnings adjusted for investments made under the equity method	(2,467,483)
Add: Retained earnings adjusted for the defined benefit plan after re-measurement.	<u>3,028,621</u>
Net Profit after tax of 2019	397,639,093
Less: Legal reserve	(39,763,909)
Distributable net profit of 2019	<u>357,875,184</u>
Add: Beginning unappropriated earnings	<u>250,253,878</u>
Accumulated distributable earnings at the end of 2019	<u><u>608,129,062</u></u>
Distributable items:	
(total number of issued shares: 334,204,892)	
Cash : NT\$0.3 per share	100,261,468
Stock : NT\$0.3 per share	100,261,460
Total amount of distribution	<u>200,522,928</u>
Unappropriated earnings at the end of 2019 transferred to the next year	<u>407,606,134</u>

Chairman : Wu, Yih-Guei

President : Wu, Pei-Chi

Chief Accounting Office : Lin, Jin-Cai

## **Matters for Ratification and Discussion :**

### Proposal 3

Proposed by the Board

To approve the capitalization on stock dividends.

Description 1. To enrich operating capital, this proposal is made to have the stock dividends NT\$100,261,460 to be issued 10,026,146 new shares, par value at NT\$10 per share, to increase capital NT\$100,261,460.

2. Currently the paid-in capital is NT\$3,342,048,920 divided into 334,204,892 shares. After issuing new shares to increase capital, the paid-in capital will be NT\$3,442,310,380 divided into 344,231,038 shares.

3. The Board will set another target day for the issuance of stock dividend in this proposal. The dividend at 30 shares per 1,000 shares for the increased shares are determined based on the stake of shareholders registered in the List of Shareholders on the target day. Shareholders holding fractional shares

after the increase may arrange to combine such shares together to meet the distribution requirements. The Chairman is authorized to contact specified person(s) to subscribe the uncombined fractional shares at the face value and distribute such dividends in cash.

4. The rights and obligations of the new shares will be the same as all issued shares.
5. Should the terms and conditions of this proposal be requested to alter by the competent authority, it is proposed that the Board of Directors be authorized to take all required actions accordingly.
6. Please vote.

Resolution :

## **Matters for Ratification and Discussion :**

### Proposal 4

Proposed by the Board

To approve the amendment to the “Parliamentary Rules for Shareholders’ Meetings”.

Description : 1. The “Parliamentary Rules for Shareholders’ Meetings” is amended in accordance with promotion of regulating related laws and regulations in the company's internal rules to strengthen the spirit of corporate governance by the competent authority.

2. The revised “Parliamentary Rules for Shareholders’ Meetings” is shown in the next page.

Resolution :



# **Taita Chemical Company, Limited**

## **Parliamentary Rules for Shareholders' Meetings (Revised)**

Amended on June 18, 2020

### Article 1

To establish a strong governance system and sound supervisory capabilities for this Corporation's shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

### Article 2

The rules of procedures for this Corporation's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

### Article 3

(Convening shareholders meetings and shareholders meeting notices)

Unless otherwise provided by law or regulation, this Corporation's shareholders meetings shall be convened by the board of directors.

This Corporation shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. This Corporation shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, this Corporation shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at this Corporation and distributed on-site at the meeting place.

The reasons for convening a shareholders meeting shall be specified in the meeting notice and publi.

Election or dismissal of directors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, dissolution, merger, or demerger of the corporation, or any matter under

Article 185, paragraph 1 of the Company Act shall be itemized in the subjects to be described and the essential contents shall be explained in the notice to convene the shareholders meeting. None of the above matters may be raised by an extraordinary motion. The essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the company, and such website shall be indicated in the above notice.

If re-election of the complete board of directors is listed as the purpose of a meeting of shareholders and the inauguration date is stated, after the completion of the board of directors, the inauguration date shall not be changed by a motion or other means in the same meeting of shareholders.

A shareholder holding 1 percent or more of the total number of issued shares may submit to this Corporation a proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. A shareholder proposal proposed for urging a company to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at a regular meeting of shareholders by the board of directors. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.

Prior to the book closure date before a regular shareholders meeting is held, this Corporation shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission in writing or by way of electronic transmission; the period for submission of shareholder proposals may not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a shareholders meeting, this Corporation shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

#### Article 4

For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by this Corporation and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for

any given shareholders meeting, and shall deliver the proxy form to this Corporation before 5 days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to this Corporation, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to this Corporation before 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

#### Article 5

(Principles determining the time and place of a shareholders meeting)

The venue for a shareholders meeting shall be the premises of this Corporation, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.

#### Article 6

(Preparation of documents such as the attendance book)

This Corporation shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. This Corporation may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

This Corporation shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

This Corporation shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be

represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

#### Article 7

(The chair and non-voting participants of a shareholders meeting)

If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the chairperson shall appoint one of the directors to act as chair. Where the chairperson does not make such a designation, the directors shall select from among themselves one person to serve as chair.

When a director serves as chair, as referred to in the preceding paragraph, the director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company.

It is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by the directors. The attendance shall be recorded in the meeting minutes.

If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

This Corporation may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

#### Article 8

(Documentation of a shareholders meeting by audio or video)

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

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

#### Article 9

Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the

number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

## Article 10

(Discussion of proposals)

If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. Any extemporaneous motion(s) and/or the amendment(s) to the original proposal(s) shall be resolved. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders meeting convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put

forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote. The time for voting shall be sufficient.

#### Article 11

(Shareholder speech)

Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

#### Article 12

(Calculation of voting shares and recusal system)

Voting at a shareholders meeting shall be calculated based the number of shares. With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of this Corporation, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent

approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

#### Article 13

A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

When this Corporation holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence). When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to this Corporation before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

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

Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the

attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.

Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

#### Article 14

##### (Election)

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

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

#### Article 15

Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. This Corporation may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results of resolution



(including a record made of the vote); where there is an election of directors, shall record the number of the vote for each candidate who is nominated and the minutes shall be retained for the duration of the existence of this Corporation.

#### Article 16

(Public disclosure)

On the day of a shareholders meeting, this Corporation shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.

If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation regulations, this Corporation shall upload the content of such resolution to the MOPS within the prescribed time period.

#### Article 17

(Maintaining order at the meeting place)

Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by this Corporation, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

#### Article 18

(Recess and resumption of a shareholders meeting)

When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been

addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

#### Article 19

These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.

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

## **Matters for Ratification and Discussion :**

### Proposal 5

Proposed by the Board

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

Description : 1. In accordance with related orders of the Financial Supervisory Commission and considering the company's actual guarantee status and future needs, part of the “ Operating Procedure for Making of Endorsements/Guarantees” is amended.

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:</p> <p>The maximum limit of endorsements/guarantees provided by <u>this Company for external companies shall not exceed 150% of Company’s net shareholder’s equity as disclosed in the latest financial statements.</u> The maximum limit of endorsements/guarantees provided by this Company for a single company shall not exceed <u>100%</u> of Company’s net shareholders’ equity as disclosed in the latest financial statements</p> <p>The maximum limit of endorsements/guarantees provided by this Company and subsidiaries together <u>for external companies shall not exceed 200% of the Company’s net shareholders’ equity as disclosed in the latest financial statements.</u> The maximum limit of endorsements/guarantees provided by this Company and subsidiaries together for a single company shall not exceed <u>150%</u> of this Company’s net shareholders’ equity as disclosed in the latest financial statements. An explanation of the necessity and reasonableness thereof shall be given at the shareholders</p>	<p>Article 4: Limit of endorsement/guarantee:</p> <p>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 <u>150%</u> of the Company’s net worth as stated in the Company’s most recent financial statements.</p> <p>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 <u>200%</u> 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.</p> <p style="text-align: center;">(omitted)</p>	<p>In consideration of the suitable differentiation of the maximum limit of endorsements/guarantees for others and for a single company, ratio is revised with reference to the actual condition of guarantees and in consideration of future needs.</p>

<p>meeting. (omitted) Article 9: Time limit for public announcement and contents thereof I.(omitted) 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) (II) (omitted) (III)The aggregate balance of endorsements/ guarantees for a single company of this Company and subsidiaries is over NT\$10 million and the total of endorsements/ guarantees, the <u>book value</u> of investment <u>adopting the equality method</u> and lending balance is over 30% the Company's net worth as disclosed in the latest financial statements. (IV) (omitted) "Date of Occurrence" referred to in these Procedures shall mean the date of transaction contract execution, date of payment, date of board resolutions or other dates valid for <u>determining</u> the counterpart and amount of endorsements/ guarantees, whichever is earlier. (III) (omitted)</p>	<p>Article 9: Time limit for public announcement and contents thereof I.(omitted) 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) (II) (omitted) (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 <u>long-term nature</u> 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) (omitted) 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) (omitted)</p>	<p>Text is revised according to Notice Jin-Guan-Zheng-Shen-Zi No. 1080304826 issued by the Financial Supervisory Commission on March 7, 2019.</p>
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<p>Article 12: Enforcement and amendment</p> <p>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.</p> <p><u>If the agreement of over one-half of all audit committee members as required in the preceding paragraph is not acquired, approval can be made over two thirds of all directors and the resolution of the audit committee shall be recorded in the minutes of the board meeting.</u></p> <p><u>"All Audit Committee Members" and "All Directors" in these Procedures shall be the actual number of persons currently holding those positions.</u></p>	<p>Article 12: Enforcement and amendment</p> <p>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.</p> <p><u>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.</u></p>	<p>Text is revised according to Notice Jin-Guan-Zheng-Shen-Zi No. 1080304826 issued by the Financial Supervisory Commission on March 7, 2019.</p>
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## **Matters for Ratification and Discussion :**

### Proposal 6

Proposed by the Board

To approve the amendment to the “Operating Procedure for Loaning of Funds”.

Description : 1. Part of the “Operating Procedure for Loaning of Funds” is amended in accordance with related orders of the Financial Supervisory Commission.

2. The amendment to the “Operating Procedure for Loaning of Funds” is shown in the next page.

Resolution :

**Taita Chemical Company, Limited**  
**The Amendment to the**  
**“ Operating Procedure for Loaning of Funds”**

After amendment	Before amendment	Description
<p>Article 4: The aggregate amount of loans and the maximum amount permitted to a single borrower</p> <p>The aggregate amount of loans by the Company to others shall be no more than 40% of the net worth of the Company’s most recent financial statements audited, certified or reviewed by the CPA.</p> <p>The limit of loan to each entity is defined as follows subject to the reason of loaning:  (I) (II)(omitted)</p> <p><u>The 40% of the Company’s net worth limit shall not apply to the capital lending between this Company and an overseas company wholly-owned by this Company directly or indirectly and the capital lending to this Company by such overseas companies.</u> However, the total amount of capital lending and the limit for individual borrowers shall not exceed 100% of the Company’s net worth as disclosed in the latest financial statements audited or reviewed by CPAs.</p> <p>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.</p>	<p>Article 4: The aggregate amount of loans and the maximum amount permitted to a single borrower</p> <p>The aggregate amount of loans by the Company to others shall be no more than 40% of the net worth of the Company’s most recent financial statements audited, certified or reviewed by the CPA.</p> <p>The limit of loan to each entity is defined as follows subject to the reason of loaning:  (I) (II)(omitted)</p> <p>The restriction on 40% of the net worth of a foreign company in which the Company holds, directly or indirectly, 100% of the voting shares shall not apply to short-term financing facility between said foreign company and the other foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares. The aggregate amount of loans and individual loan shall be no more than 100% of the net worth of the foreign company’s most recent financial statements audited, certified or reviewed by the CPA.</p> <p>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</p>	<p>Text is revised according to Notice Jin-Guan-Zheng-Shen-Zi No. 1080304826 issued by the Financial Supervisory Commission on March 7, 2019.</p>



<p><u>The responsible person of this Company breaching this provision shall assume the joint responsibility for repayment with the borrower. If damages are caused to this Company, it shall indemnify for such damages.</u></p> <p>Article 5: Operating Procedure for Loaning of Funds (I) Procedure 1.The Company’s loaning of fund or short-term financing facility shall be subject to approval by the Company’s Financial Department, and submitted to a Board of Directors’ meeting for resolution upon approval by the Chairman of Board. Notwithstanding, major loaning of fund shall be approved by a majority of all Audit Committee members and submitted to a Board of Directors’ meeting for a resolution in advance. Capital lending between this Company and subsidiaries or among subsidiaries shall be submitted for a resolution by the board of directors of the <u>lending company</u> and the chairperson may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the board of directors, and within a period not to exceed one year to give loans in installments or to make a revolving credit line available for the borrower to draw down. (rest omitted)</p>	<p>by Securities Issuers.</p> <p>Article 5: Operating Procedure for Loaning of Funds (I) Procedure 1.The Company’s loaning of fund or short-term financing facility shall be subject to approval by the Company’s Financial Department, and submitted to a Board of Directors’ meeting for resolution upon approval by the Chairman of Board. Notwithstanding, major loaning of fund shall be approved by a majority of all Audit Committee members and submitted to a Board of Directors’ meeting for a resolution in advance. Loaning of funds between the Company and its subsidiaries, or between subsidiaries, shall be submitted for a resolution by a Board of Directors’ meeting pursuant to the preceding paragraph, and the Chairman may be authorized, for a specific borrower, within a certain monetary limit resolved by a Board of Directors’ meeting, and within a period not to exceed one (1) year, to give loans in installments or to make a revolving credit line available for the borrower to draw down. (rest omitted)</p>	<p>Text is revised according to Notice Jin-Guan-Zheng-Shen-Zi No. 1080304826 issued by the Financial Supervisory Commission on March 7, 2019.</p>
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<p>Article 6:Duration of financing facility and calculation of interest The term of each capital lending shall not exceed one year. However, for capital lending <u>between this Company and foreign companies wholly-owned by this Company directly or indirectly or capital lending to this Company by such overseas companies</u>, the term shall not exceed five years. When a debt is mature, the borrower shall first repay the principal. Request for renewal of lending shall be reported to the board of directors for approval. (omitted)</p>	<p>Article 6:Duration of financing facility and calculation of interest Duration of the funds loaned by the Company shall be no more than one (1) year, provided that it shall be no more than five years in the case of the loaning of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares. Upon maturity of the funds loaned by the Company, the principal must be repaid at first and renewal of the loan is only applicable upon approval by a Board of Directors' meeting.</p>	<p>Text is revised according to Notice Jin-Guan-Zheng-Shen-Zi No. 1080304826 issued by the Financial Supervisory Commission on March 7, 2019.</p>
<p>Article 8: Procedure for public announcement and report (I) (omitted) (II)In addition to the monthly announcement and reporting of the balance of funds loaned by the Company, where the balance of funds loaned by the Company and its subsidiaries reaches one of the following levels, Financial Department (Accounting Department) shall notify Accounting Department, attached with related information, to announce and report such event within two (2) days commencing immediately from the date of occurrence: 1.~3.(omitted) The Company shall announce and report 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</p>	<p>Article 8: Procedure for public announcement and report (I) (omitted) (II)In addition to the monthly announcement and reporting of the balance of funds loaned by the Company, where the balance of funds loaned by the Company and its subsidiaries reaches one of the following levels, Financial Department (Accounting Department) shall notify Accounting Department, attached with related information, to announce and report such event within two (2) days commencing immediately from the date of occurrence: 1.~3.(omitted) The Company shall announce and report 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</p>	<p>Text is revised according to Notice Jin-Guan-Zheng-Shen-Zi No. 1080304826 issued by the Financial Supervisory Commission on March 7, 2019.</p>

<p>announce and report pursuant to Subparagraph 2 of the preceding paragraph.</p> <p>“Date of Occurrence” referred to in these Procedures shall mean the date of transaction contract execution, date of payment, date of board resolutions, or other dates valid for determining the counterpart and amount of <u>capital lending</u>, whichever is earlier.</p> <p>Article 11: 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. 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.</p> <p><u>If the agreement of over one-half of all audit committee members as required in the preceding paragraph is not acquired, approval can be made over two thirds of all directors and the resolution of the audit committee shall be recorded in the minutes of the board meeting.</u></p> <p><u>“All Audit Committee Members” and "All Directors" in these Procedures shall be the actual number of persons currently holding those positions.</u></p>	<p>announce and report pursuant to Subparagraph 2 of the preceding paragraph.</p> <p>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.</p> <p>Article 11: 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. 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.</p> <p><u>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.</u></p>	<p>Text is revised according to Notice Jin-Guan-Zheng-Shen-Zi No. 1080304826 issued by the Financial Supervisory Commission on March 7, 2019.</p>
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## **Matters for Ratification and Discussion :**

### Proposal 7

Proposed by the Board

To approve the permission of director for competitive actions.

- Description 1. Referring to Article 209 of the Company Act,  
“A director, who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.”
2. Directors of the Company engage in business within the scope of business of the Company are tabulated below. Without harming the interest of the Company, it is proposed to allow their act in accordance with the Company Act.

Name	Companies	Title
Wu, Pei-Chi (Representative of Union Polymer International Investment Corporation)	APC (BVI) Holding Co., Ltd.	Director
	Ever Conquest Global Limited	Director
	USI International Corporation	Director
	APC Investment Corporation	Director
	Asia Polymer Corporation	Director
	China General Terminal & Distribution Corporation	Director
	Swanson Technologies Corporation	Director
	Taiwan United Venture Capital Corp.	Director
	USI Trading (SHANGHAI) Co., Ltd	Chairman
	USI Trading (SHANGHAI) Co., Ltd	President
Independent Director Tyan Wen Chen	Yenog Guan Group	Independent Director

3. Please vote.

Resolution :

### **III. Extemporaneous Motions**

### **IV. Adjournment**

# Appendix 1

## Taita Chemical Company, Limited Parliamentary Rules for Shareholders' Meetings ( Before Amendment )

Amended on June 24, 2019

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.

For a shareholders' meeting convened by the board of directors, 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 over-ruled 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.

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 otherwise provided for by 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 Taipi 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\$4,000,000,000, divided into 400,000,000 common shares, at a

- par value of NT\$10 per share, and may be issued in installments.
- Article 6: When issuing shares, this Company may be exempted from printing the stocks for such shares, provided that registration to and retention by a centralized securities depository enterprise shall be made. Printed stocks shall be registered stocks signed or stamped by the directors representing the Company. Such stocks shall be numbered , and certified by the law prior to issuance.
- Article 6-1: (Deleted)
- Article 7: The Company's handling of it's shareholders services shall comply with the "Regulations Governing the Administration of Shareholder Services of Public Companies" prescribed by the competent securities authority's.
- 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 other laws, a shareholders' meetings shall be convened by the Board of Directors.
- Article 12: Unless otherwise provided for in 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. The

voting power at a shareholders' meeting of the Company may be exercised by way of electronic transmission. 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 and convened 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 Board of Directors has 9 to 11 seats. The candidate nomination system shall apply to the directorial election for the meeting of shareholders to elect directors among the nominated candidates.
- Article 15-1: The directors referred to in the preceding Article shall include at least three (3) independent directors.
- 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: Unless otherwise provided for in laws or orders, directors' meetings shall be convened and 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 Articles of Incorporation 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 .

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 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:  
 Business report;  
 Financial statements;  
 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 parents or subsidiaries 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) 54th amendments hereto were made on June 24, 2019.

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



# Appendix 3

## Ethical Corporate Management Best Practice Principles of Taita Chemical Company, Limited

Established on December 23, 2010

Amended on March 14, 2014

Amended on November 12, 2019

### Article 1: Purpose and Scope of Applicability

I. Purpose: The Principles are established in order to foster a corporate culture of ethical management and sound development.

II. Scope: Taita Chemical Company, Limited (hereinafter referred to as the "Company"), its subsidiaries, any corporation to which the Company's direct or indirect contribution of funds exceeds fifty (50) percent of the total funds received, and its group enterprises and organizations including other institutions or juridical persons which are substantially controlled by the Company (hereinafter referred to as the "Group enterprises and organizations").

### Article 2: Prohibition of unethical conduct

When engaging in commercial activities, the Company's directors, managerial officers, employees, and persons having substantial control over the Company (hereinafter referred to as the "substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty (hereinafter referred to as "unethical conduct") for purposes of acquiring or maintaining benefits.

Parties referred to in the preceding paragraph include public servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managerial officers, employees or substantial controllers or other stakeholders. Said public servants include public representatives of each level, public servants of the central and local authorities, and any other persons engaged in government affairs pursuant to laws.

### Article 3: Types of benefit

"Benefits" referred to herein mean any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in

accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

#### Article 4:Legal compliance

The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

#### Article 5:Policy

The Company shall abide by the management philosophy of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control mechanism so as to create an operational environment for sustainable development.

#### Article 6:Prevention programs

The Company shall, according to the management philosophy and policy referred to in the preceding Article, clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct ("prevention programs"), including operating procedures, guidelines, and training.

When establishing the prevention programs, the Company shall comply with relevant laws and regulations of the territory where the Company and its Group enterprises and organization are operating.

In the course of developing the prevention programs, the Company is advised to negotiate with its employees, labor union or other representative entities' members, and stakeholders.

#### Article 7:Scope of prevention programs

The company shall establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly and review their adequacy and effectiveness on a regular basis.

The prevention programs, which shall at least include preventive measures against the following:

Offering and acceptance of bribes.

Illegal political donations.

Improper charitable donations or sponsorship.

Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.

Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.

Engaging in unfair competitive practices.

Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and service.

#### Article 8: Commitment and implementation

Directors and General manager of the company shall issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.

The Company and Group enterprises and organizations shall clearly specify in their rules and external documents the ethical corporate management policies and the commitment by the Board of Directors and the management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

The declarations, commitments and implementation of the above integrity management policy shall be produced and documented by all responsible units and properly preserved.

#### Article 9: Commercial activities of ethical management

The Company shall engage in commercial activities in a fair and transparent manner. Prior to any commercial transactions, the Company shall take into consideration the legality of their agents, suppliers, clients, or other trading counterparts and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved.

When entering into contracts with another person, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparts are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.

#### Article 10: Prohibition of offering and acceptance of bribes

When conducting business, the Company and our directors, managerial officers, employees, and substantial controllers, shall not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders, including rebate, commission, facilitation payment or any other form. Notwithstanding, benefits that meet the laws and regulations applicable

in the territory where the Company is operating shall be excluded.

#### Article 11: Prohibition of illegal political donations

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

#### Article 12: Prohibition of improper charitable donations or sponsorship

When making or offering donations and sponsorship, the Company and our directors, managerial officers, employees, and substantial controllers shall comply with relevant laws and regulations and internal operating procedures, and shall not engage in bribery in bribery.

#### Article 13: Prohibition of offering or acceptance of unreasonable presents, services, hospitality, or other improper benefits.

The Company and our directors, managerial officers, employees, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, services, hospitality or other improper benefits to establish business relationship or influence commercial transactions.

#### Article 14: Prohibition against infringement of intellectual property rights

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

#### Article 15: Prohibition of unfair competition

The company shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

#### Article 16: Prevention of damage on Stakeholders from Products/Services

In the course of research and development, procurement, manufacture, provision, or sale of products and services, The company and our directors, managerial officers, employees, and substantial controllers shall observe

applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services. They shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in their operations, with a view to preventing their products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the company shall, in principle, recall those products or suspend the services immediately.

#### Article 17: Organization and liability

The Company's Board of Directors shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.

To achieve sound ethical corporate management, the Company's governance team establishes and supervises the implementation of the ethical corporate management policies and preventive programs according to the following duties. The chief corporate governance officer periodically (at least once a year) reports to the board of directors:

1. Establish regulations to implement the ethical management policy in compliance with the requirements of laws and regulations.
2. Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope.
3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
4. Promoting and coordinating awareness and educational activities with respect to ethics policy.
5. Developing a whistle-blowing system and ensuring its operating effectiveness.
6. Assisting the board of directors and General manager in assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

#### Article 18: Legal compliance for implementation of business

The Company and our directors, managerial officers, employees, and

substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.

Article 19: Avoidance of conflict of interest by directors and managerial officers  
The Company shall adopt policies for preventing conflicts of interest, and shall also offer appropriate means for directors, managerial officers, and employees to voluntarily explain whether their interests would potentially conflict with those of the Company. (For details, please see the Company's Code of Ethical Conduct for Directors and Managerial Personnel.)

The Company's directors shall adhere to high self-disciplinary policy. When a motion at a given board of directors meeting concerns their personal interest, or interest of the juristic person represented by them and is likely to injure the Company's interest, the directors shall state their opinion and answers, but may not participate in discussion of or voting on the motion and shall recuse themselves from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.

The Company's directors, managerial officers and employees shall not take advantage of their positions in the Company to obtain improper benefits for themselves, their spouses, parents, children, relatives within the second degree of kinship, or any other person.

Article 20: Accounting and internal control

The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems remain effective.

The Company's internal audit officers shall, based on the results of assessment of the risk of involvement in unethical conduct, draw up relevant audit plans and examine accordingly the compliance with the prevention programs.

The results of examination in the preceding paragraph shall be reported to senior management and the ethical management dedicated unit and put down in writing in the form of an audit report to be submitted to the board of directors and Audit Committee.

Article 21: Operating procedure and guidelines

The Company shall establish operating procedures and guidelines in accordance with Article 6 herein to guide directors, managerial officers, employees, and substantial controllers on how to conduct business. The procedures and guidelines should contain the following matters:

- I. Standards for determining offering or acceptance of improper benefits.
- II. Procedures for offering legal political donations.
- III. Procedures and the standard rates for offering charitable donations or sponsorship.
- IV. Rules for avoiding conflicts of interests concerning job duty and how they should be reported and handled.
- V. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
- VI. Regulations and procedures for dealing with suppliers, clients and trading counterparts suspected of unethical conduct.
- VII. Handling procedures for violations of these Principles.
- VIII. Disciplinary measures against offenders.
- IX. Code of Ethical Conduct for Directors and Managerial Personnel.

#### Article 22: Training and performance appraisal

The Company shall periodically organize training and awareness programs for directors, managerial officers, employees, and substantial controllers and invite the Company's commercial trading counterparts so they understand the Company's resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.

The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.

#### Article 23: Complaint and discipline

The Company shall adopt an adequate whistle-blowing channel (e.g. HR Division, Audit Committee, or mailbox for employees, et al.), and keep the complainant's identity and contents of complaint in confidence.

The Company shall establish a disciplinary and complaining system for handling violations of the ethical corporate management rules, and shall make immediate disclosure on the Company's internal website of the job title and name of the violator, the date and details of the violation, and the actions taken in response.

#### Article 24: Information disclosure

The Company shall disclose the status of implementation of the Company's Ethical Corporate Management Best Practice Principles on the Company's website and in the Company's annual report and prospectus.

#### Article 25: Review and modification of Ethical Corporate Management Best

### Practice Principles

The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage its directors, managerial officers, and employees to make suggestions, based on which the Ethical Corporate Management Best Practice Principles adopted by the Company will be reviewed and improved with a view to achieving better implementation of the Company's ethical management.

### Article 26:Implement

These Principles and any amendments hereto, shall be implemented after adoption by resolution of the Board of Directors.

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



# Appendix 4

## Taita Chemical Company, Limited Operating Procedures for Ethical Management and Guidelines for Conduct

Established on December 20, 2012

Amended on March 14, 2014

Amended on November 12, 2019

### Article 1. (Purpose and Scope of Applicability)

The Company engages in commercial activities following the principles of fairness, honesty, faithfulness, and transparency, and in order to fully implement a policy of ethical management and actively prevent unethical conduct. Accordingly, these Procedures and Guidelines are adopted pursuant to the Company's Ethical Corporate Management Best Practice Principles with a view to providing all personnel of the Company with clear directions for the performance of their duties.

These Procedures and Guidelines are applicable to the Company and its subsidiaries, any corporation to which the Company's direct or indirect contribution of funds exceeds fifty (50) percent of the total funds received, and its group enterprises and organizations including other institutions or juridical persons which are substantially controlled by the Company (hereinafter referred to as the "Group enterprises and organizations").

### Article 2. (Applicable Subjects)

The term "personnel of the Company" refers to any director, managerial officer, employee, and person having substantial control of the Company and its Group enterprises and organizations (hereinafter referred to as the "substantial controllers").

Any provision, promise, request, or acceptance of any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name by any personnel of the Company through a third party will be presumed to be an act by the personnel of the Company.

### Article 3. (Unethical Conduct)

The term "unethical conduct" means that any personnel of the Company, in the course of their duties, directly or indirectly provides, promises, requests, or

accepts improper benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.

Parties referred to in the preceding paragraph include public servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managerial officers, employees or substantial controllers or other stakeholders. Said public servants include public representatives of each level, public servants of the central and local authorities, and any other persons engaged in government affairs pursuant to laws.

#### Article 4 (Types of Benefits)

“Benefits” referred to herein mean any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name.

#### Article 5. (Dedicated Unit)

This Company appoints the governance team (the “Dedicated Unit”) under the board of directors to establish and supervise the implementation of the ethical corporate management policies and preventive programs. The chief corporate governance officer shall be in charge of the following matters and report to the board of directors periodically (at least once a year):

Establish regulations to implement the ethical management policy according to the laws and regulations.

II. Periodically analyzes and assess the risk of unethical behavior within the scope of business.

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

IV. Promoting and coordinating awareness and educational activities with respect to ethics policy.

V. Developing a whistleblower system and ensuring its operating effectiveness.

VI. Assisting the board of directors and General manager in assessing whether the preventive measures for ethical management are effectively implemented, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

#### Article 6. (Prohibition of Offering or Acceptance of Improper Benefits)

Except under one of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, any money, gratuity, service, preferential treatment, entertainment, dining and any other benefits, the

conduct of the given personnel of the Company shall comply with the provisions of the Company's Ethical Corporate Management Best Practice Principles and these Procedures and Guidelines, and the relevant procedures shall have been carried out:

I.To comply with the local laws and regulations prevailing within the jurisdiction where the Company operates.

II.The conduct is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of guests, promotion of business, and communication and coordination.

III.The conduct has its basis in ordinary social activities that are attended or others are invited to hold in line with accepted social custom, commercial purposes, or developing relationships.

IV.Invitations to guests or attendance at commercial activities or factory visits in relation to business needs, when the method of fee payment, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance.

V.Attendance at folk festivals that are open to and invite the attendance of the general public.

VI. Rewards, emergency assistance, condolence payments, or honorariums from the management.

VII.Property received from relatives or friends in regular contact for engagement, marriage, maternity, relocation, assumption of a position, promotion, transfer, retirement, resignation or severance, and injury, illness, or death of the recipient or the recipient's spouse or lineal relative, if any.

VIII.Other conduct that complies with the rules of the Company.

#### Article 7. (Procedures for Handling Acceptance of Improper Benefits)

Except under any of the circumstances set forth in the preceding article, when any personnel of the Company are provided with or are promised, either directly or indirectly, any money, gratuity, service, preferential treatment, entertainment, dining and any other benefits by a third party, the matter shall be handled in accordance with the following procedures:

I.If there is no relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall report to their immediate supervisor within three (3) days from the acceptance of the benefit, and the dedicated unit shall be notified if necessary.

II.If a relationship of interest does exist between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall return or refuse the benefit, and shall report to his or her immediate supervisor and notify the dedicated unit. When the benefit cannot be returned,

then within three (3) days from the acceptance of the benefit, the personnel shall refer the matter to the dedicated unit for handling.

“A relationship of interest between the party providing or offering the benefit and the official duties of the Company’s personnel,” as referred to in the preceding paragraph, refers to one of the following circumstances:

I. When the two parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.

II. When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.

III. Other circumstances in which a decision regarding the Company’s business, or the execution or non-execution of business, will result in a beneficial or adverse impact.

The Company’s dedicated unit shall make a proposal, based on the nature and value of the benefit under Paragraph 1, that it be returned, accepted on payment, given to the public, donated to charity, or handled in another appropriate manner. The proposal shall be implemented after being reported and approved by the president.

#### Article 8. (Prohibition of and Handling Procedure for Facilitating Payments)

The Company shall neither provide nor promise any facilitating payment.

If any personnel of the Company provides or promises a facilitating payment under threat or intimidation, they shall submit a report to their immediate supervisor stating the facts and shall notify the Company’s dedicated unit.

Upon receipt of the report under the preceding paragraph, the dedicated unit shall take immediate action and undertake a review of relevant matters in order to minimize the risk of recurrence. In a case involving alleged illegality, the dedicated unit shall also immediately report to the relevant judicial agency.

#### Article 9. (Procedures for Offering Legal Political Donations)

Political contributions by the Company shall be made in accordance with the following provisions, reported to the Chairman of Board, and a notification given to the dedicated unit, and may be made only after being reported to and approved by a directors’ meeting:

I. It shall be ascertained that the political contribution is in compliance with the laws and regulations governing political contributions in the country in which the recipient is located, including the maximum amount and the form in which a contribution may be made.

II. A written record of the decision-making process shall be kept.

III. Account entries shall be made for all political contributions in accordance with applicable laws and regulations and relevant procedures for accounting treatment.

IV. In making political contributions, commercial dealings, applications for permits, or carrying out other matters involving the interests of the Company with the related government agencies shall be avoided.

Article 10. (Procedures for Offering Charitable Donations or Sponsorship)

The charitable donations or sponsorship made by the Company shall comply with the following requirements and the “Parliamentary Rules for Directors’ Meetings”. The donations to a stakeholder shall be subject to approval by a directors’ meeting. The 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, which may be made upon approval by a directors’ meeting.

I. To comply with the local laws and regulations prevailing within the jurisdiction where the Company operates.

II. A written record of the decision-making process shall be kept.

III. A charitable donation shall be given to a valid charitable institution and may not be a disguised form of bribery.

IV. The returns received as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterpart of the Company’s commercial dealings or a party with which any personnel of the Company has a relationship of interest.

V. After a charitable donation or sponsorship has been given, it shall be ascertained that the destination to which the money flows is consistent with the purpose of the contribution.

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.

Article 11 (Avoidance of Conflict of Interest)

The Company’s directors shall adhere to high self-disciplinary policy. When a motion at a given board of directors meeting concerns their personal interest, or interest of the juristic person represented by them and is likely to injure the Company’s interest, the directors shall state their opinion and answers, but may not participate in discussion of or voting on the motion and shall recuse themselves from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.

If in the course of conducting company business, any personnel of the Company discover that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouses, parents,

children, or relatives within the second degree of kinship with them are likely to obtain improper benefits, the personnel shall report the relevant matters to both their immediate supervisors and the Company's dedicated unit, and the immediate supervisor shall provide the personnel with proper instructions.

No personnel of the Company may use the Company's resources on commercial activities other than those of the Company, nor may any personnel's job performance be affected by their involvement in the commercial activities other than those of the Company.

#### Article 12. (Unit Dedicated to Confidentiality and Its Responsibilities)

The Company has set up a special unit dedicated to formulating and implementing procedures for managing, preserving, and maintaining the confidentiality of the Company's trade secrets and it shall also conduct periodical reviews on the results of implementation to ensure the sustained effectiveness of the confidentiality procedures.

#### Article 13. (Prohibition Against Disclosure of Trade Secrets)

All personnel of the Company shall faithfully follow the operational directions pertaining to the Company's trade secrets and may not disclose to any other party any trade secret of the Company of which they have learned, nor may they inquire about or collect any trade secrets of the Company unrelated to their individual duties.

#### Article 14. (Prohibition Against Insider Trading)

All of the Company's personnel shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. The personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information to engage in insider trading.

#### Article 15. (Non-Disclosure Agreement)

Any organization or person outside of the Company that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by the Company shall be required to sign a non-disclosure agreement in which they undertake not to disclose to any other party any trade secret or other material information of the Company acquired as a result, and that they may not use such information without the prior consent of the Company.

#### Article 16. (Announcement of Policy of Ethical Management to Outside Parties)

The Company shall disclose its policy of ethical management in its internal rules, annual reports, on the Company's websites, and in other promotional materials, and shall make timely announcements of the policy in events held for outside parties such as product launches and investor press conferences, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of its philosophy and regulations with respect to ethical management.

Article 17. (Ethical Management Evaluation Prior to Development of Commercial Relationships)

Before developing a commercial relationship with another party, such as an agent, supplier, customer, or other counterpart in commercial dealings, the Company shall evaluate the legality and ethical management policy of the party and ascertain whether the party has a record of involvement in unethical conduct, in order to ensure that the party conducts business in a fair and transparent manner and will not request, offer, or take bribes.

When the Company carries out the evaluation under the preceding paragraph, it may adopt appropriate audit procedures for a review of the counterpart with which it will have commercial dealings with respect to the following matters, in order to gain a comprehensive knowledge of its ethical management:

I. The enterprise's nationality, location of business operations, organizational structure, and management policy, and place where it will make payment.

II. Whether the enterprise has adopted an ethical management policy, and the status of its implementation.

III. Whether enterprise's business operations are located in a country with a high risk of corruption.

IV. Whether the business operated by the enterprise is in an industry with a high risk of bribery.

V. The long-term business condition and degree of goodwill of the enterprise.

VI. Consultation with the enterprise's business partners on their opinion of the enterprise.

VII. Whether the enterprise has a record of involvement in unethical conduct such as bribery or illegal political contributions.

Article 18. (Statement of Ethical Management Policy to Counterparts in Commercial Dealings)

Any personnel of the Company, when engaging in commercial activities, shall make a statement to the trading counterpart about the Company's ethical management policy and related rules, and shall clearly refuse to provide, promise, request, or accept, directly or indirectly, any improper benefit in whatever form or name, including rebate, commission or facilitating payment,

or offer or accept improper benefit in any other manners.

Article 19. (Avoidance of Commercial Dealings with Unethical Operators)

All personnel of the Company shall avoid business transactions with an agent, supplier, customer, or other counterpart in commercial interactions that is involved in unethical conduct. When the counterpart or partner in cooperation is found to have engaged in unethical conduct, the personnel shall immediately cease dealing with the counterpart and blacklist it for any further business interaction in order to effectively implement the Company's ethical management policy.

Article 20. (Stipulation of Terms of Ethical Management in Contracts)

Before entering into a contract with another party, the Company shall gain a thorough knowledge of the status of the other party's ethical management, and shall make observance of the ethical management policy of the Company part of the terms and conditions of the contract, stipulating at the least the following matters:

I. When a party to the contract becomes aware that any personnel has violated the terms and conditions pertaining to prohibition of acceptance of commissions, rebates, or other improper benefits, the party shall immediately notify the other party of the violator's identity, the manner in which the provision, promise, request, or acceptance was made, and the monetary amount or other improper benefit that was provided, promised, requested, or accepted. The party shall also provide the other party with pertinent evidence and cooperate fully with the investigation. Otherwise, the other party may claim the liquidated damages agreed in the contract against the breaching party, and may also deduct the full amount of the damages from the contract price payable, in addition to the loss suffered by it against the breaching party, if any.

II. Where a party is discovered to be engaged in unethical conduct in its commercial activities, the other party may terminate or rescind the contract unconditionally at any time.

III. Specific and reasonable payment terms, including the place and method of payment and the requirement for compliance with related tax laws and regulations.

Article 21. (Handling of Unethical Conduct by Personnel of the Company)

If the Company discovers, or receives any complaint reporting, that another party has engaged in unethical conduct, the Company shall verify the truth immediately. If the unethical conduct is proven to violate related laws and regulations or the Company's ethical management policies and requirements, the Company shall ask the violator to cease the conduct immediately and render



appropriate measures, and claim damages through legal proceedings, if necessary, to maintain the Company's goodwill and interest.

With respect to an unethical conduct already committed, the Company shall charge relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence. The Company's dedicated unit shall submit to the Board of Directors a report on the unethical conduct, actions taken, and subsequent reviews and corrective measures.

Article 22. (Actions upon Event of Unethical Conduct by Others Towards the Company)

If any personnel of the Company discovers that another party has engaged in unethical conduct towards the Company, and such unethical conduct involves alleged illegality, the Company shall report the relevant facts to the judicial and prosecution authorities. Where a public service agency or public official is involved, the Company shall additionally notify the governmental anti-corruption agency.

Article 23. (Establishment of a System for Rewards, Penalties, and Complaints, and Related Disciplinary Measures)

The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish clear and effective reward & discipline and complaining systems.

If any personnel of the Company seriously violates ethical conduct, the Company shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of the Company.

The Company shall make immediate disclosure on the Company's internal website of the job title and name of the violator, the date and details of the violation, and the actions taken in response.

Article 24. (Implement)

These Procedures and Guidelines, and any amendments hereto, shall be implemented after adoption by resolution of the Board of Directors.

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 22, 2018

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 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.

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 Operating Procedure for Loaning of Funds ( Before Amendment )

Amended on June 16, 2017

- Article 1: The Company shall comply with the Procedure when loaning funds to others.
- Article 2: Borrower  
The Company's loaning of funds shall comply with the following requirements: The entities to which the Company may loan funds (hereinafter referred to as the "borrowers") are limited to:
- (I) A company or firm with which the Company does business;
  - (II) A company or firm requiring short-term financing facility;  
The term "short-term" as used herein means one (1) year, or one (1) operating cycle (whichever is longer).
- "Subsidiary" as referred to herein shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- Article 3: Necessity of and reasonableness of loaning funds to others  
Where funds are loaned for reasons of business dealings between the Company and another company or firm, Paragraph 2 of Article 4 herein shall apply. Where funds are loaned for reasons of short-term financing facility, only the following circumstances may apply:
- (I) When affiliated company of the Company needs short-term financing facility to meet business requirements;
  - (II) When another company or firm needs short-term financing facility to purchase materials or seek revolving fund;
- Article 4: The aggregate amount of loans and the maximum amount permitted to a single borrower  
The aggregate amount of loans by the Company to others shall be no more than 40% of the net worth of the Company's most recent financial statements audited, certified or reviewed by the CPA.  
The limit of loan to each entity is defined as follows subject to the reason of loaning:
- (I) For the borrower who does business with the Company, the aggregate amount of loans by the Company shall be no more than 40% of the net worth of the Company's most recent financial statements audited, certified or reviewed by the

CPA. The individual loan shall be no more than the Company's purchase from or sale to it for the most recent year or until the loan is made, whichever is higher.

- (II) For the borrower who needs the short-term financing facility, the aggregate amount of loans and individual loan by the Company shall be no more than 40% of the net worth of the Company's most recent financial statements audited, certified or reviewed by the CPA.

The restriction on 40% of the net worth of a foreign company in which the Company holds, directly or indirectly, 100% of the voting shares shall not apply to short-term financing facility between said foreign company and the other foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares. The aggregate amount of loans and individual loan shall be no more than 100% of the net worth of the foreign company's most recent financial statements audited, certified or reviewed by the CPA.

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: Operating Procedure for Loaning of Funds

(I) Procedure

1. The Company's loaning of fund or short-term financing facility shall be subject to approval by the Company's Financial Department, and submitted to a Board of Directors' meeting for resolution upon approval by the Chairman of Board. Notwithstanding, major loaning of fund shall be approved by a majority of all Audit Committee members and submitted to a Board of Directors' meeting for a resolution in advance.

Loaning of funds between the Company and its subsidiaries, or between subsidiaries, shall be submitted for a resolution by a Board of Directors' meeting pursuant to the preceding paragraph, and the Chairman may be authorized, for a specific borrower, within a certain monetary limit resolved by a Board of Directors' meeting, and within a period not to exceed one (1) year, to give loans in installments or to make a revolving credit line available for the borrower to draw down.

The "certain monetary limit" mentioned in the preceding

paragraph shall be in compliance with Paragraph 3 of Article 4 herein. Meanwhile, the authorized limit on loans extended by the Company or any of its subsidiaries to any single entity shall not exceed 10% of the net worth in the Company's or the subsidiary's most recent financial statements. Notwithstanding, where the accounts receivable from stakeholders and other accounts receivable expiring the normal credit period for a specific time limit are held as loaning of fund (hereinafter referred to as the "loaning of fund equivalent") and thereby it is impossible to report them to a Board of Directors' meeting for resolution in advance, the same may be ratified at the latest Board of Directors' meeting. Where the Company has assigned the position of independent director, during the discussion by a Board of Directors' meeting for loaning of fund or short-term financing facility, the Company 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.

2. The Company's Financial Department shall prepare a memorandum book for the loaning of fund. Notwithstanding, the Accounting Department shall prepare a memorandum book for the loaning of fund equivalent, if any, separately. Upon resolution of the loaning of fund by a Board of Directors' meeting the Company shall record the borrower, amount, date of approval by the Board of Directors' meeting, lending/borrowing date, and matters to be carefully evaluated as required into the memorandum book truthfully.
3. The internal auditors shall audit the Operating Procedure for Loaning of Funds and the implementation thereof quarterly and prepare written records accordingly. They shall promptly notify the Audit Committee in writing of any material violation found.
4. Financial Department and Accounting Department shall prepare the relevant statements of the loaning of fund and equivalent thereof incurred and canceled per month to help control, follow up and process the public announcement and reporting, and shall evaluate and provide adequate

allowance for bad debt quarterly, and disclose the information about loaning of fund in the financial statements and provide the CPA with relevant information.

5. Where as a result of changes of condition the borrower no longer meets the requirements herein, or the balance exceeds the limit, Financial Department shall adopt corrective action plans and submit the plans to the Audit Committee, and shall complete the corrective action according to the time frame set out in the plan.

(II) Procedure for examination

1. When processing the loaning of funds, the Company shall have the company or firm which applies for the loaning of funds check the related financial information and state the purpose of fund and then file the application in writing. Notwithstanding, this shall not apply to the loaning of fund equivalent.
2. Upon receipt of the application, the Company's Financial Department shall investigate and evaluate the necessity and reasonableness of loaning funds to others, whether the borrower is doing business with the Company directly (indirectly), the borrower's financial position, solvency and credit, profitability and purpose of loan, and produce and submit the relevant report to the Board of Directors after taking into consideration the operation risk caused by the aggregate amount of fund loaned by the Company to the Company, the Company's financial position and shareholders' equity.
3. The Company shall request the promissory note bearing the same amount to secure the fund loaned by the Company or short-term financial facility given by the Company, and demand that the borrower should pledge personal property or real property, if necessary, and evaluate whether the value of collateral is equivalent to the balance of loaned fund quarterly and add the collateral, if necessary. Notwithstanding, this shall not apply to the loaning of fund equivalent.

For the security for obligation referred to in the preceding paragraph, where the debtor asks any individual or company with considerable financial position and credit to secure the loan in lieu of collateral, the Board of Directors shall handle it according to the credit investigation report

submitted by Financial Department. When the loan is secured by any company, please note whether the company's articles of incorporation provided any clauses about making guarantee.

- Article 6: Duration of financing facility and calculation of interest  
Duration of the funds loaned by the Company shall be no more than one (1) year, provided that it shall be no more than five years in the case of the loaning of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares. Upon maturity of the funds loaned by the Company, the principal must be repaid at first and renewal of the loan is only applicable upon approval by a Board of Directors' meeting.  
The loan interest shall be no less than the average interest rate accruing on the short-term loan offered by financial institutes. In the case of any special circumstance, the interest rate may be adjusted upon approval given by a Board of Directors' meeting.
- Article 7: Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights  
After allocating the loan, Financial Department shall keep noticing the borrower's and guarantor's financial, business and related credit status, and any changes in the value of collateral, and report any material change to the President, CFO and related unit, and take appropriate measures to respond to the situation.  
Where the borrower wishes to repay the loan when due or prior to expiration of the loan, he/she shall calculate the payable interest at first and then repay the principle plus the interest. Then, the promissory note may be returned to the borrower, or the mortgage/pledge may be canceled.
- Article 8: Procedure for public announcement and report  
(I) Financial Department (Accounting Department) shall submit the information about the balance of loan made by the Company and its subsidiaries in the previous month to Accounting Department by the tenth (10th) day of each month, and carry out the public announcement and reporting of the same and the turnover.  
The term "announcement and reporting" as used herein means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC).  
(II) In addition to the monthly announcement and reporting of the balance of funds loaned by the Company, where the

balance of funds loaned by the Company and its subsidiaries reaches one of the following levels, Financial Department (Accounting Department) shall notify Accounting Department, attached with related information, to announce and report such event within two (2) days commencing immediately from the date of occurrence:

1. The balance of fund loaned by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
2. The balance of fund loaned by the Company and its subsidiaries to a single entity reaches ten (10) percent or more of the Company's net worth as stated in its latest financial statement.
3. The amount of new fund loaned by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.

The Company shall announce and report 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 Subparagraph 2 of the preceding paragraph.

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.

Article 9: Procedure for Loaning of Funds by Subsidiaries

- (I) Where a subsidiary of the Company intends to loan funds to others, the Company shall instruct it to formulate its own operating procedure for loaning of funds to others, and comply with the "internal control system" and "operating procedure for loaning of funds to others" established by the Company and it, respectively. Meanwhile, the subsidiary shall submit to the Company the written report on the balance, borrower and duration of the fund loaned in the previous month by 5th day of each month.
- (II) Where the balance of funds loaned by any subsidiary of the Company that is not a public company of the Republic of China meets the standards for announcement and reporting referred to in Paragraph 2 of Article 8 herein, it shall be

notified to the Company on the date of occurrence, and the Company shall carry out the announcement and reporting on the designated website as required.

(III) 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 loaning of funds to others 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 10: Penalty

Where the Company's managerial officers and employees violate the Operating Procedure, they 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 11: 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. 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.

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 7

### Taita Chemical Company, Limited

#### Stake of Directors

Title	Name	Stake
Chairperson	Wu, Yih-Guei (Representative of Union Polymer International Investment Corporation)	122,946,465
Director	Wu, Pei-Chi (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 Taiwan Union International Investment Corporation)	30,550,159
Independent Director	Ma Yi-Kung	0
Independent Director	Tyan Wen Chen	0
Independent Director	James Yuan	0
Total Stake of Directors		153,496,624
Stake by Law of Directors		13,368,195

Note: 1. The said stake is the number of shares registered in the List of Shareholders dated by the book due date (April 20) of the 2020 AGM.

2. The total issued shares of TTC are 334,204,892 shares.

## Appendix 8

**The Impact of Stock Dividend Issuance on Business Performance, EPS, and ROE** : No estimates should be disclosed as no financial forecast was made for 2020.

Item		Year	2020 (Estimates)
Beginning paid-in capital			NT\$3,342,048,920
Stock dividend of the year (Note 1)	Cash dividend per share		NT\$0.3
	Stock dividend per share for capitalization with earnings.		0.03share
	Stock dividend per share for capitalization with capital reserve.		0share
Impact on business performance	Operating income		N/A (Note 2)
	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	N/A (Note 2)
		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	

Note 1: Dividend distribution for 2019 is shown according to the profit distribution proposal resolved by the Board on March 5, 2020.

Note 2: TTC does not conduct open financial forecast of any kind, and the information relating to the impact on business performance, proposed EPS and PER are not applicable.

1. The company shall present all basic assumptions for estimates or proposed data.
2. Proposed EPS for issuing dividends in cash for capitalization with earnings.  
= [Net profit after tax - Imputed interest for cash dividends\* × (1 - Tax rate)] ÷ [**Total Issued Shares by End of Year - Number of Shares with Dividends\*\***]  
Imputed interest for cash dividends\* = Amount of capitalization with earnings × 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.
3. Annual PER: Annual Average Market Price Per Share ÷ EPA in the Annual Financial Statement.

Chairman :

Manager :

Case Officer :

## **Appendix 9**

### **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 2020 AGM is from April 11, 2020 to April 21, 2020. All proposals were disclosed on the Market Observation Post System by law on March 26, 2020.
3. No proposal from shareholder was received during the said period.