



Stock Code  
4766

# NAN PAO RESINS CHEMICAL CO., LTD.

## Handbook for the 2019 **Annual General** Shareholders' Meeting

Meeting time: 10 a.m., June 14, 2019

Venue: No. 12, Nanhaipu, Nanhai Vil., Xigang Dist., Tainan City

### **Notice to readers**

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

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# Chapter I. Meeting Procedures

- I. Call the Meeting to Order
- II. Chairman's **R**emarks
- III. **R**eport **I**tems
- IV. Propose**d** **R**esolutions
- V. Discussion **I**tems
- VI. **E**xtraordinary Motions
- VII. **M**eeting Adjournment

## Chapter II. Meeting Agenda

Meeting time: 10 a.m., June 14, 2019

Venue: No. 12, Nanhaipu, Nanhai Vil., Xigang Dist., Tainan City

Chairman: Wu, Cheng-Hsien

### I. Report Items

1. The 2018 Business Report
2. The Audit Committee's Review Report of 2018 audited financial statements
3. The 2018 Distribution of Employees' Remuneration and Directors' Compensation

### II. Proposed Resolutions

1. The 2018 Business Report and Financial Statements
2. The distribution of 2018 earnings

### III. Discussion Items

1. Amendments of the "Articles of Incorporation"
2. Amendments of the "Procedures for Acquisition and Disposal of Assets"
3. Amendments of the "Procedures for Loans of Capital and Making Endorsements and Providing Guarantees"

### IV. Extraordinary Motions

### V. Meeting Adjournment

## **I. Report Items**

### **Item 1: The 2018 Business Report**

Explanation: Please refer to Attachment 1 on Page 6~7.

### **Item 2: Audit Committee's Review Report of 2018 audited financial statements**

Explanation: Please refer to Attachment 2 on Page 7.

### **Item 3: The 2018 Distribution of Employees' Remuneration and Directors' Compensation**

Explanation: (1) Pursuant to Article 25 of the Company's Articles of Incorporation, the Company allocates 2% to 6% of employee remuneration and no more than 3% of directors' compensation after deducting the portions of employee and directors' remuneration from the pretax profit of the year.

(2) The Company proposes to 2018 distribute employee's remuneration and directors' compensation, to be paid in cash.

Employee's remuneration: NT\$33,000,000.

Directors' compensation: NT\$13,321,549.

## **II. Proposed Resolutions**

### **Item 1: The 2018 Business Report and Financial Statements** (Proposed by the Board of Directors)

Explanation: (1) The Company's 2018 Financial Statements have been audited by CPA Liao, Hung-Ju and CPA Kung, Chun-Chi from Deloitte Taiwan. Please refer to Attachment 3 on Pages 9 to 28.

(2) The Financial Statements were approved by the Board of Directors on March 21, 2019. The financial statements and the Business Report are presented to the Shareholders' Meeting for recognition.

#### **Resolution:**

### **Item 2: The distribution of 2018 earnings** (Proposed by the Board of Directors)

Explanation: (1) The Company's 2018 net income after tax is NT\$672,774,784. The Company propose to draft Earnings Distribution Plan according to Article 26 of the Company's Articles of Incorporation. Please refer to Attachment 4 on Page 29.

(2) The Company proposes to pay a cash dividend of NT\$5 per share, and cumulative cash dividend payout will be NT\$602,853,900.

(3) After recognition from the Shareholders' Meeting, the Board of Directors will be delegated to determine the base date for dividend payment, payout date, and relevant subsequent matters.

(4) The appropriation of net income is based on the number of

outstanding Company shares on the date of the Board of Directors' resolution. If subsequent changes occur to the number of outstanding Company shares due to various circumstances, the Company proposes for the Shareholders' Meeting to delegate the Board to handle all relevant matters.

Resolution:

### **III. Discussion Items**

**Item 1: Amendment of the “Articles of Incorporation”** (Proposed by the Board of Directors)

Explanation: **In accordance with relevant laws and regulations**, the Company has proposed to amend certain Articles in the Company's “Articles of Incorporation.” Please refer to Attachment 5 for a table of comparison on the Articles before and after the amendments on Pages **30 to 32**.

Resolution:

**Item 2: Amendment of the “Procedures for Acquisition and Disposal of Assets”** (Proposed by the Board of Directors)

Explanation: **In accordance with relevant laws and regulations**, the Company has proposed to amend certain Articles in the Company's “Procedures for Acquisition and Disposal of Assets.” Please refer to Attachment 6 for a table of comparison on the Articles before and after the amendments on Pages **33 to 44**.

Resolution:

**Item 3: Amendment of the “Procedures for Loans of Capital and Making Endorsements and Providing Guarantees”** (Proposed by the Board of Directors)

Explanation: **In accordance with relevant laws and regulations**, the Company has proposed to amend certain Articles in the Company's “Procedures for Loans of Capital and Making Endorsements and Providing Guarantees.” Please refer to Attachment 7 for a table of comparison on the Articles before and after the amendments on Pages **45 to 46**.

Resolution:

### **IV. Extraordinary Motions**

### **V. Meeting Adjournment**

# Chapter III. Attachments

## Attachment 1

### Nan Pao Resins Chemical Co., Ltd 2018 Business Report

#### I. Result of 2018 Business Operated

##### 1. Result of the business plan performance

The total consolidated turnover of 2018 was NT\$ 16.02 billion, an increase of 9.63% from the previous year; the total gross profit was NT\$3.81 billion, a decrease of 2.95% from the previous year; the net revenue was NT\$ 901 million, a decrease of 24.47 from the previous year; the net income was NT\$ 717 million, a decrease of 21.85% from the previous year; Earning Per Share after taxes was NT\$6.15.

Unit : NT\$,000 (EPS lists in dollars)

Item	Year	2018		2017		Varieties	
		Amount	%	Amount	%	Amount	%
Net Operating Revenue		16,022,220	100	14,615,008	100	1,407,212	9.63
Gross Profit		3,807,414	24	3,922,991	27	(115,577)	(2.95)
Operating Profit		901,010	6	1,192,972	8	(291,962)	(24.47)
Pre-tax Income		1,035,812	7	1,160,753	8	(124,941)	(10.76)
Net Income		716,630	5	917,003	6	(200,373)	(21.85)
Net Income attributed to	Shareholders	672,775	4	881,874	6	(209,099)	(23.71)
	Not Controlling Interest	43,855	0	35,129	0	8,726	24.84
Earning Per Share(dollar)		6.15		8.22		(2.07)	(25.18)

2. Budget Implementation : The Company did not release the budget forecast, therefore we did not analyze the budget implementation.

##### 3. Analysis of Financial Revenue and Expenditure and Profitability

Unit : NT\$,000 ; %

Item	2018	2017
Cash inflow from operating	155,920	767,652
Cash outflow from investing	(688,274)	(1,131,784)
Cash inflow from fundraising	307,123	279,715
Return on Assets ( % )	4.67	6.55
Return on Equity ( % )	7.76	12.03
Profit before tax to capital stock ( % )	85.91	106.86
Net Profit Margin ( % )	4.47	6.27

##### 4. Research and Development

The Company is active in industry-university cooperative research and invest 2%~3% of the revenue into the long-term training and specialization for the continuously growth and innovation improvement. The Company invested 2.62% of the consolidates operating revenue into R&D. The R&D team majorly specialize in research and manufacture of synthetic resins, including molecular structure

design, the precise control of molecular size, the molecular weight distribution and bridging action design. The main focus of the R&S is on specialty chemical, materials and biotechnology. The Company commit to protect and improve human being health, and provide high value added products, services and solutions, the Company develop diversified related products for higher market shares and competitiveness.

## **II. 2019 Business Plan Outline**

The company continuously develop the current business territories and markets, and integrate various resources for more manufacturing bases and new territories expansions. It is estimated that the sales turnover will increase by 6% from the previous year. The main manufacture and sales policies are listed as follows:

- (1) Working harder with current customers for higher market share
- (2) Expanding emerging markets for new customers and agents
- (3) Providing all aspect solutions and assisting customers searching for equipment; offering training to customers for better new product experiences
- (4) Continuously improving the automated manufacturing ability for lower production costs, better quality, higher defect-free rate and efficiency
- (5) Developing products with energy saving and carbon reduction ability to meet the more restrict environmental laws and regulations
- (6) Developing high-end materials, innovative key technologies and new products based on the core technology and materials

## **III. The impacts of future developing policies from external competitiveness, laws and regulations and macro-business environment**

The Company is facing the uncertainty economy prosperity in 2019, however the Company will actively develop the market expansion in a moderate way, embrace the business principle of “Leading, Integrity, Teamwork and Efficiency” to implement the believe of better company governance and sustainability. The Company insist the quality policy of “Quality First, Leading Technology, Best Service” and adhere to the philosophy of great product quality, R&D improvement, market expansion and total solution to improve customers’ satisfaction and trust, also being aware of the Taiwanese and global policy trends and regulatory changes to adapt the market changes.

Nan Pao Resins Group develops innovative and environmental friendly products and becomes indispensable strategic partners in many industries, our vision is to be a sustainable world class business group which gives back to the society. The management team and all the employees will continuously excellent business results based on innovations and create higher business value to respond the support from customers.

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin



## **Attachment 2**

# **Nan Pao Resins Chemical Co.,Ltd**

## **The Audit Committee Report**

To: 2019 General shareholder's meeting

The Audit Committee (AC) is delegated with the authority from the Board to provide independent oversight of the Company's operational report, financial reports and earning distribution, the financial reports has been audited by CPA Liao, Hung-Ju and CPA Kung, Chun-Chi of Deloitte & Touché and issued certification of financial reports. The Audit Committee considered that the financial reports, financial statement and earning distribution as proposed are fairly present the Company's financial position and results, therefore issued the audit report according to Article 14 of Securities and Exchange Act and article 219 of Company Act.

Nan Pao Resins Chemical Co., Ltd

Chairman of Audit Committee : Chen, Yun

March 21th, 2019

## **Attachment 3**

### **(1) Consolidated Financial Statements**

#### Independent Auditors' Report

To Nan Pao Resins Chemical Co., Ltd.:

#### **Audit Opinion**

We have audited the consolidated balance sheet of Nan Pao Resins Chemical Co., Ltd. and its subsidiaries (Nan Pao Resins Group) as of December 31, 2017 and 2018, the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the Notes to consolidated financial statements (including a summary on significant accounting policies).

In our opinion and based on our and other independent auditors reports (see Other), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Nan Pao Resins Group as of December 31, 2017 and 2018, and the consolidated financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China with the effective dates.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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

Key audit matters of the consolidated financial statements of Nan Pao Resins Group for the year ended December 31, 2018 are stated as follows:

#### **Key Audit Matters: Authenticity of Revenue Recognition**

The main sources of revenue for Nan Pao Resins Group come from the sale of adhesives, paint, and building material. As market demand rises, the revenue of 2018 increased compared to the same period last year. Given the effects on materiality of consolidated financial statements and

significant risks of predetermined revenue recognition in auditing standards, we included the authenticity of revenue recognition as a key audit matter.

The key audit procedures conducted in regard to the aforementioned matter are as follows:

- I. Understand and sample test the effectiveness of internal control designs related to revenue recognition
- II. Obtain basic information on the Group's major customers, cross reference with publicly available information, analyze loan conditions and company scale, and check for errors on the number of days for receivables turnover.
- III. Select appropriate samples from sales revenue receipts, inspect sales invoices, commercial invoices, export declarations signed off by external personnel using revenue recognition criteria, and confirm the names for receipt and for trade items.

For accounting policies and income segmentation on income recognition, please refer to Note 4 (15) and 27.

### **Other Matters**

In the 2018 consolidated financial statements, certain subsidiaries were not audited by us but by other CPAs. Accordingly, for our findings on the aforementioned consolidated financial statements, the dollar amount and information related to the subsidiaries in the statements were based on audit reports from other CPAs. As of December 31, 2018, the total assets of the subsidiaries were NT\$ 1,677,057,000 and accounted for 10% of the consolidated total assets. The net revenue of 2018 was NT\$2,191,566,000, accounting for 14% of the consolidated net revenue.

Nan Pao Resins Chemical Co., Ltd. has already prepared individual financial statements for the year 2017 and 2018 on which we have issued an unqualified opinion with other matter paragraph and unqualified opinion as references.

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

Management is responsible for the preparation and fair representation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 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 consolidated 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 intends to liquidate the Company or terminate the business, or no practicable measure other than liquidation or termination of the business can be taken.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial

statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Generally Accepted Auditing Standards (GAAS) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If it can be reasonably expected that misstatements in individual amounts or aggregates could influence the economic decisions of users taken on the basis of these consolidated financial statements, then the misstatements are deemed to as material.

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 implement the following tasks:

- I. Identify and assess the risks of material misstatements of the consolidated financial statements, whether due to fraud or error, design and implement appropriate countermeasures to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Since irregularities can involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control, the risks of failing to detect material misstatements resulting from fraud is higher than for one resulting from errors.
- II. 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 Company's internal control.
- III. Evaluate the appropriateness of accounting policies adopted by management as well as reasonableness of its accounting estimates and related disclosures.
- IV. Conclude on the appropriateness of the management's use of the going concern basis of accounting, 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our audit report. However, future events or circumstances may cause the Company to lose its capacity to function as a going concern.
- V. Evaluate the overall presentation, structure, and contents of 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.
- VI. Obtain sufficient and appropriate audit evidence regarding the financial information of entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and implementation 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 significant internal control deficiencies identified during our audit).

We have also provided a declaration to the governing bodies stating that the personnel of our affiliated firm has followed the item of independence in the CPA code of professional ethics. We have also communicated with the governing bodies on all relationships that may possibly be deemed to impair our independence as well as other matters (including relevant protective measures).

From the matters communicated with the governing body, we determined the key audit

matters that were of most significance within the audit of the Company's Consolidated Financial Statements for the year ended in December 31, 2017. 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.

Deloitte & Touché

CPA Liao, Hung-Ju

CPA Kung, Chun-Chi

Approval No. from Financial Supervisory  
Commission R.O.C. (Taiwan)  
No. 0990031652 in FSC

Approval No. from the Securities and Futures  
Commission  
No. 0920123784 in TWSE

March 21, 2019

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Consolidated Financial Statements  
December 31, 2017 and 2018

Unit: NT\$1,000

Code	Asset	December 31, 2018		December 31, 2017		Code	Liabilities and Shareholders' Equity	December 31, 2018		December 31, 2017	
		Amount	%	Amount	%			Amount	%	Amount	%
	<b>Current Assets</b>						<b>Current Liabilities</b>				
1100	Cash and Cash Equivalents (Note 4 and 6)	\$ 3,679,348	21	\$ 3,866,587	25	2100	Short-Term Loans (Note 22 and 38)	\$ 1,308,539	8	\$ 1,306,649	9
1136	Financial Assets at Amortized Cost - Current					2110	Short-Term Notes Payable (Note 22)	-	-	119,923	1
	(Note 4, 8, 9 and 38)	196,068	1	-	-	2130	Contract Liabilities - Current (Note 4 and 27)	41,499	-	-	-
1150	Notes Receivable (Note 4 and 12)	293,405	2	298,490	2	2150	Notes Payable (Note 23)	35,908	-	52,334	-
1170	Accounts Receivable (Note 4, 12 and 27)	3,112,385	18	2,653,921	18	2170	Accounts Payable (Note 23 and 37)	1,923,206	11	1,948,306	13
1180	Accounts Receivable - Affiliate (Note 4, 12, 27 and 37)	357,724	2	331,830	2	2200	Other Payables (Note 37)	788,396	5	789,681	5
1200	Other Receivables (Note 4 and 12)	201,967	1	37,861	-	2230	Current Income Tax Liabilities (Note 29)	169,036	1	224,170	2
1220	Current Income Tax Assets (Note 29)	13,197	-	19,763	-	2320	Long-Term Liability - Current portion (Note 22 and 38)	252,428	1	33,553	-
130X	Inventory (Note 4 and 13)	2,347,224	13	2,251,781	15	2399	Other Current Liabilities (Note 24, 27 and 37)	185,889	1	32,302	-
1412	Prepaid Rent (Note 20)	15,335	-	14,044	-	21XX	<b>Total Current Liabilities</b>	<u>4,704,901</u>	<u>27</u>	<u>4,506,918</u>	<u>30</u>
1476	Other Financial Assets - Current (Note 4, 11 and 38)	-	-	263,565	2		<b>Non-Current Liabilities</b>				
1479	Other Current Assets (Note 4 and 21)	453,097	3	399,662	3	2540	Long-Term Debt (Note 22 and 38)	1,392,070	8	1,604,339	11
11XX	<b>Total Current Assets</b>	<u>10,669,750</u>	<u>61</u>	<u>10,137,504</u>	<u>67</u>	2570	Deferred Income Tax Liabilities (Note 4, 5 and 29)	705,380	4	751,050	5
	<b>Non-Current Assets</b>					2640	Net Defined Benefit Liabilities - Non-Current (Note 4)				
1517	Financial Assets Measured at FVTOCI					2670	Other Non-Current Liabilities (Note 24)	149,410	1	179,041	1
	Financial Assets - Non-Current (Note 4 and 7)	1,210,580	7	-	-	25XX	<b>Total Non-Current Liabilities</b>	<u>2,303,482</u>	<u>13</u>	<u>2,576,429</u>	<u>17</u>
1543	Financial Assets Carried at Cost - Non-current (Note 4 and 10)	-	-	183,580	1	2XXX	<b>Total Liabilities</b>	<u>7,008,383</u>	<u>40</u>	<u>7,083,347</u>	<u>47</u>
1535	Financial Assets at Amortized Cost - Non						<b>Equity Attributable to Company Shareholders (Note 26)</b>				
	Current (Note 4, 8, 9 and 38)	53,194	-	-	-		<b>Equity</b>				
1550	Investments Accounted for Using Equity Method (Note 4 and 15)	292,180	2	278,451	2	3110	Ordinary Shares	1,205,707	7	1,086,207	7
1600	Property, Plant & Equipment (Note 4, 16 and 38)	3,959,992	23	3,346,729	22	3200	Capital Reserve	2,108,235	12	1,290,212	9
1760	Investment Property (Note 4 and 17)	17,760	-	17,760	-		Retained Earnings				
1805	Goodwill (Note 4, 18 and 31)	86,766	1	91,978	1	3310	Statutory Surplus Reserve	988,725	6	900,538	6
1821	Other Intangible Assets (Note 4 and 19)	43,874	-	49,301	-	3320	Special Surplus Reserve	313,321	2	313,321	2
1840	Deferred Income Tax Assets (Note 4 and 29)	251,359	1	247,094	2	3350	Retained Earnings	4,207,525	24	4,158,679	27
1980	Other Financial Assets - Non-Current (Note 4, 11 and 38)	-	-	10,221	-	3300	<b>Total Reserved Earnings</b>	<u>5,509,571</u>	<u>32</u>	<u>5,372,538</u>	<u>35</u>
1985	Prepaid Rent - Non-Current (Note 20)	662,223	4	598,033	4	3400	Other Equity	804,110	5	(291,717)	(2)
1990	Other Non-Current Assets (Note 4 and 21)	115,775	1	238,491	1	31XX	<b>Total Owner's Equity</b>	<u>9,627,623</u>	<u>56</u>	<u>7,457,240</u>	<u>49</u>
15XX	<b>Total Non-Current Assets</b>	<u>6,693,703</u>	<u>39</u>	<u>5,061,638</u>	<u>33</u>	36XX	Non-Controlling Interests	727,447	4	658,555	4
						3XXX	<b>Total Equity</b>	<u>10,355,070</u>	<u>60</u>	<u>8,115,795</u>	<u>53</u>
1XXX	<b>Total Assets</b>	<u>\$ 17,363,453</u>	<u>100</u>	<u>\$ 15,199,142</u>	<u>100</u>		<b>Total Liabilities and Equity</b>	<u>\$ 17,363,453</u>	<u>100</u>	<u>\$ 15,199,142</u>	<u>100</u>

The attached Notes are part of the consolidated financial statements.  
(Please refer to Audit Report of Deloitte & Touche on March 21, 2019)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Consolidated Comprehensive Balance Sheet  
For the Years Ended December 31, 2018 and 2017

Unit: NT\$1,000

(except earnings per share, which is denoted in NT\$)

Code		2018		2017	
		Amount	%	Amount	%
4000	Operating Revenue (Note 4, 27, and 37)	\$ 16,022,220	100	\$ 14,615,008	100
5000	Operating Cost (Note 13, 25, 28 and 37)	<u>12,214,806</u>	<u>76</u>	<u>10,692,017</u>	<u>73</u>
5900	Gross Profit	<u>3,807,414</u>	<u>24</u>	<u>3,922,991</u>	<u>27</u>
	Operating Expenses (Note 25 and 28)				
6100	Selling Expenses	1,677,805	10	1,496,022	10
6200	General and Administrative Expenses	780,891	5	847,335	6
6300	Research and Development Expenses	419,850	3	386,662	3
6450	Estimated Credit Impairment Loss or Gain	<u>27,858</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total Operating Expenses	<u>2,906,404</u>	<u>18</u>	<u>2,730,019</u>	<u>19</u>
6900	Net Operating Profit	<u>901,010</u>	<u>6</u>	<u>1,192,972</u>	<u>8</u>
	Non-Operating Income and Expenses (Note 4, 15 and 28)				
7010	Other Income	156,813	1	85,967	1
7020	Other Gains and Losses	18,454	-	( 92,272 )	( 1 )
7050	Financing Cost	( 61,694 )	-	( 49,312 )	-
7060	Share of Profit or Loss of Associates Accounted for Using Equity Method	<u>21,229</u>	<u>-</u>	<u>23,398</u>	<u>-</u>
7000	Total Non-Operating Income and Expenses	<u>134,802</u>	<u>1</u>	<u>( 32,219 )</u>	<u>-</u>
7900	Pre-Tax Profit	1,035,812	7	1,160,753	8
7950	Income Tax Expenses (Note 4 and 29)	<u>319,182</u>	<u>2</u>	<u>243,750</u>	<u>2</u>
8200	Net Profit of the Year	<u>716,630</u>	<u>5</u>	<u>917,003</u>	<u>6</u>

(continued on next page)



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Code		2018		2017	
		Amount	%	Amount	%
	Other Comprehensive Gain or Loss (Note 25, 26 and 29)				
8310	Items that will not be reclassified to profit or loss:				
8311	Remeasurement of Defined Benefit Plans	\$ 11,598	-	\$ 49,092	-
8316	Unrealized Valuation Loss (gain) on Investments in an Equity Instrument Measured at FVTOCI	( 349,496 )	( 2 )	-	-
8349	Income Tax Related to Items that will not be Reclassified	( 4,204 )	-	( 8,452 )	-
		( 342,102 )	( 2 )	40,640	-
8360	Items that may be Reclassified to Profit or Loss:				
8361	Exchange differences on translation of foreign financial statements	78,242	-	( 359,901 )	( 2 )
8399	Income Tax Related to Items that may be Reclassified	( 4,026 )	-	58,679	-
		74,216	-	( 301,222 )	( 2 )
8300	Total Other Comprehensive Income for the Year (net of tax)	( 267,886 )	( 2 )	( 260,582 )	( 2 )
8500	Total comprehensive income for the year	\$ 448,744	3	\$ 656,421	4
	Profit Attributable to:				
8610	Owners	\$ 672,775	4	\$ 881,874	6
8620	Non-Controlling Interests	43,855	-	35,129	-
8600		\$ 716,630	4	\$ 917,003	6
	Total Comprehensive Income Attributable to:				
8710	Owners	\$ 400,327	3	\$ 635,626	4
8720	Non-Controlling Interests	48,417	-	20,795	-
8700		\$ 448,744	3	\$ 656,421	4
	Earnings per Share (Note 30)				
9710	Base	\$ 6.15		\$ 8.22	
9810	Diluted	6.12		8.16	

The attached Notes are part of the consolidated financial statements.

(Please refer to Audit Report of Deloitte & Touche on March 21, 2019)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Consolidated Statement of Changes in Equity  
For the Years Ended December 31, 2018 and 2017

Unit: NT\$1,000  
(except earnings per share and share issuance price, which are denoted in NT\$)

Code		Equity Attributable to Owners						Subtotal	Total	Non-Controlling Interests	Total Equity	
		Capital	Capital Reserve	Statutory Surplus Reserve	Special Surplus Reserve	Undistributed Earnings	Exchange Difference on Conversion of Foreign Operations					Other Equity Financial Assets Measured at FVTOCI Unrealized Gain or Loss
A1	Balance as of January 1, 2017	\$ 1,034,909	\$ 778,977	\$ 768,016	\$ 313,321	\$ 3,902,903	( \$ 5,229 )	\$ -	( \$ 5,229 )	\$ 6,792,897	\$ 337,219	\$ 7,130,116
B1	2016 Earnings Distribution (Note 26) Statutory Surplus Reserve	-	-	132,522	-	( 132,522 )	-	-	-	-	-	-
B5	Cash Dividend - NT\$5 per share	-	-	-	-	( 532,455 )	-	-	-	( 532,455 )	-	( 532,455 )
C13	Distribution of Capital Surplus in Stock Dividend - NT\$0.2 per share (Note 26)	21,298	( 21,298 )	-	-	-	-	-	-	-	-	-
D1	Net Profit for 2017	-	-	-	-	881,874	-	-	-	881,874	35,129	917,003
D3	Other Comprehensive Income after Tax for 2017	-	-	-	-	40,240	( 286,488 )	-	( 286,488 )	( 246,248 )	( 14,334 )	( 260,582 )
D5	Total Comprehensive Income for 2017	-	-	-	-	922,114	( 286,488 )	-	( 286,488 )	635,626	20,795	656,421
E1	Capital Increase on June 16, Issued at NT\$180 per Share (Note 26)	30,000	510,000	-	-	-	-	-	-	540,000	-	540,000
M3	Disposition of Subsidiaries (Note 32)	-	-	-	-	-	-	-	-	-	( 7,097 )	( 7,097 )
M5	Book Value Differences in Acquisition or Disposal of Shares from Subsidiaries (Note 33)	-	22,926	-	-	( 1,361 )	-	-	-	21,565	( 27,556 )	( 5,991 )
M7	Changes in Subsidiary Shares (Note 33)	-	( 393 )	-	-	-	-	-	-	( 393 )	393	-
O1	Increase in Non-Controlling Interests	-	-	-	-	-	-	-	-	-	334,801	334,801
Z1	Balance as of December 31, 2017	1,086,207	1,290,212	900,538	313,321	4,158,679	( 291,717 )	-	( 291,717 )	7,457,240	658,555	8,115,795
A3	Impact of Retrospective Application (Note 3)	-	-	-	-	-	-	1,376,496	1,376,496	1,376,496	-	1,376,496
A5	Adjusted Balance as of January 1, 2018	1,086,207	1,290,212	900,538	313,321	4,158,679	( 291,717 )	1,376,496	1,084,779	8,833,736	658,555	9,492,291
B1	Appropriation of Net Income in 2017 (Note 26) Statutory Surplus Reserve	-	-	88,187	-	( 88,187 )	-	-	-	-	-	-
B5	Cash Dividend - NT\$5 per share	-	-	-	-	( 543,104 )	-	-	-	( 543,104 )	-	( 543,104 )
C17	Cost of Share-based Payment	-	358	-	-	-	-	-	-	358	-	358
D1	Net Profit for 2018	-	-	-	-	672,775	-	-	-	672,775	43,855	716,630
D3	Other Comprehensive Income after Tax in 2018	-	-	-	-	8,221	68,827	( 349,496 )	( 280,669 )	( 272,448 )	4,562	( 267,886 )
D5	Total Comprehensive Income in 2018	-	-	-	-	680,996	68,827	( 349,496 )	( 280,669 )	400,327	48,417	448,744
E1	Capital Increase - November 26, Issued at NT\$76.8 to 79.56 per Share (Note 26)	119,500	817,663	-	-	-	-	-	-	937,163	-	937,163
M5	Book Value Differences in Acquisition or Disposal of Shares from Subsidiaries (Note 33)	-	2	-	-	( 859 )	-	-	-	( 857 )	( 811 )	( 1,668 )
O1	Increase in Non-Controlling Interests	-	-	-	-	-	-	-	-	-	21,286	21,286
Z1	Balance as of December 31, 2018	\$ 1,205,707	\$ 2,108,235	\$ 988,725	\$ 313,321	\$ 4,207,525	( \$ 222,890 )	\$ 1,027,000	\$ 804,110	\$ 9,627,623	\$ 727,447	\$ 10,355,070

The attached Notes are part of the consolidated financial statements.  
(Please refer to Audit Report of Deloitte & Touche on March 21, 2019)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Consolidated Cash Flow Statement  
For the Years Ended December 31, 2018 and 2017

Unit: NT\$1,000

C o d e		2018	2017
	Cash flow from operating activities		
A10000	Net Profit before Tax for the Year	\$ 1,035,812	\$ 1,160,753
A20010	Gains and Losses:		
A20100	Depreciation	279,946	238,965
A20200	Amortization	28,432	25,011
A20300	Bad Debt Expenses	-	7,682
A20400	Estimated Credit Impairment Loss	27,858	-
A20900	Financing Costs	61,694	49,312
A21200	Interest Income	( 35,318 )	( 24,430 )
A21300	Dividend Income	( 98,176 )	( 46,338 )
A21900	Employee Stock Option Costs	358	-
A22300	Associates' Share of Profit (Loss) Accounted for Using Equity Method	( 21,229 )	( 23,398 )
A22500	Loss on Disposal of Properties, Plants, and Equipment	4,650	25,909
A23200	Loss of Investments on Disposal of Assets Using Equity Method	-	17,131
A23700	Allowance for Inventory Valuation and Obsolescence Loss	14,677	68,531
A23800	Compensation Paid	-	34,715
A23900	Goodwill Impairment Loss	3,048	-
A29900	Loss on Disposal of Subsidiaries	-	8,180
A30000	Net Variable in Operational Assets/Liabilities		
A31130	Notes Receivable	5,091	( 39,851 )
A31150	Accounts Receivable	( 462,436 )	( 102,184 )
A31160	Accounts Receivable - Stakeholders	11,346	89,996
A31180	Other Receivables	( 162,489 )	442
A31200	Inventory	( 112,351 )	( 530,138 )
A31240	Other Current Assets	( 58,056 )	( 26,970 )
A31990	Other Non-Current Assets	( 2,509 )	4,370
A32125	Contract Liabilities	18,716	-
A32130	Notes Payable	( 16,819 )	( 19,663 )
A32150	Accounts Payable	( 15,220 )	207,967
A32180	Other Payables	7,669	( 20,738 )
A32230	Other Current Liabilities	98,705	( 14,453 )
A32240	Net Defined Benefit Liabilities	( 18,034 )	( 7,104 )
A32990	Other Non-Current Liabilities	<u>13,714</u>	<u>( 7,682 )</u>
A33000	Cash Flow from Operating Activities	609,079	1,076,015
A33100	Interest Income Received	33,390	23,289
A33300	Interest Paid	( 60,634 )	( 51,156 )
A33500	Income Tax Paid	<u>( 425,915 )</u>	<u>( 280,496 )</u>
AAAA	Net Cash Inflow from Operating Activities	<u>155,920</u>	<u>767,652</u>
	Cash Flow from Investment Activities		
B00040	Acquisition of Financial Assets Measured at Amortized Cost	( 255,737 )	-
B00050	Disposal of Financial Assets Measured at Amortized Cost	330,305	-

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<u>C o d e</u>		<u>2018</u>	<u>2017</u>
B00300	Acquisition of Financial Assets Measured at Cost	\$ -	( \$ 20,000 )
B02200	Acquisition of Net Cash Inflow from Subsidiaries	-	66,258
B02300	Net Cash Outflow from Disposal of Subsidiaries	-	( 12,822 )
B02700	Purchase of Properties, Plants, and Equipment	( 812,970 )	( 912,024 )
B02800	Disposition of PPE	15,904	8,749
B03700	Increase in Refundable Deposits	-	( 24,577 )
B03800	Decrease in Refundable Deposits	-	19,103
B04500	Purchased Intangible Assets	( 12,266 )	( 5,775 )
B06500	Increase in Other Financial Assets	-	( 301,638 )
B06600	Decrease in Other Financial Assets	-	181,206
B07300	Increase in Prepaid Rent	( 59,186 )	( 184,102 )
B07600	Dividends Received	<u>105,676</u>	<u>53,838</u>
BBBB	Net Cash Flow from Investing Activities (out)	( <u>688,274</u> )	( <u>1,131,784</u> )
	Cash Flow from Financing Activities		
C00100	Increase in Short-Term Loans	4,660,487	4,883,551
C00200	Decrease in Short-Term Loans	( 4,652,123 )	( 5,279,246 )
C00500	Increase in Short-Term Notes and Bills Payable	259,509	469,049
C00600	Decrease in Short-Term Notes and Bills Payable	( 379,432 )	( 499,012 )
C01600	Long-Term Loans Borrowed	3,226,780	2,689,227
C01700	Long-Term Loans Repaid	( 3,222,707 )	( 2,199,202 )
C03000	Increase in Guarantee Deposits	1,928	531
C03100	Decreases in Guarantee Deposits	( 996 )	( 1,864 )
C04500	Cash Dividends	( 543,104 )	( 532,455 )
C04600	Capital Cash Increase	937,163	540,000
C05400	Acquisition of Subsidiary Shares	( 1,668 )	( 5,991 )
C05800	Changes in Non-Controlling Equity	<u>21,286</u>	<u>215,127</u>
CCCC	Net Cash Inflow from Financing Activities	<u>307,123</u>	<u>279,715</u>
DDDD	Impacts of Exchange Rate Fluctuation on Cash and Cash Equivalents	<u>37,992</u>	( <u>326,076</u> )
EEEE	Net Decrease in Cash and Cash Equivalents	( 187,239 )	( 410,493 )
E00100	Cash and Cash Equivalents at Beginning of Year	<u>3,866,587</u>	<u>4,277,080</u>
E00200	Cash and Cash Equivalents at End of Year	<u>\$ 3,679,348</u>	<u>\$ 3,866,587</u>

The attached Notes are part of the consolidated financial statements.  
(Please refer to Audit Report of Deloitte & Touche on March 21, 2019)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

## **(2) Individual Financial Statements**

### Independent Auditors' Report

To Nan Pao Resins Chemical Co., Ltd.:

#### **Audit Opinion**

We have audited the Individual balance sheet of Nan Pao Resins Chemical Co., Ltd. as of December 31, 2017 and 2018, the related Individual statements of comprehensive income, changes in equity and cash flows for the years then ended, and the Notes to Individual financial statements (including a summary on significant accounting policies).

In our opinion and based on our and other independent auditors reports (see Other), the accompanying individual financial statements present fairly, in all material respects, the Individual financial position of Nan Pao Resins Co., Ltd as of December 31, 2017 and 2018, and the individual financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and endorsed by the Financial Supervisory Commission of the Republic of China with the effective dates.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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

Key audit matters of the individual financial statements of Nan Pao Resins Co.,Ltd for the year ended December 31, 2018 are stated as follows:

#### **Key Audit Matters: Authenticity of Revenue Recognition**

The main sources of revenue for Nan Pao Resins Co.,Ltd come from the sale of adhesives and paints. As market demand rises, the revenue of 2018 increased compared to the same period last year, the sales of adhesives for footwear was the major increase. Given the effects on materiality of individual financial statements and significant risks of predetermined revenue recognition in auditing standards, we included the authenticity of revenue recognition as a key audit matter.

The key audit procedures conducted in regard to the aforementioned matter are as follows:

IV. Understand and sample test the effectiveness of internal control designs related to revenue

recognition

- V. Obtain basic information on the Group's major customers, cross reference with publicly available information, analyze loan conditions and company scale, and check for errors on the number of days for receivables turnover.
- VI. Select appropriate samples from sales revenue receipts, inspect sales invoices, commercial invoices, export declarations signed off by external personnel using revenue recognition criteria, and confirm the names for receipt and for trade items.

For accounting policies and income segmentation on income recognition, please refer to Note 4 (13) and 23.

### **Other Matters**

In the 2018 individual financial statements, certain investees were not audited by us but by other CPAs. Accordingly, for our findings on the aforementioned individual financial statements, the dollar amount and information related to the investees in the statements were based on audit reports from other CPAs. As of December 31, 2018, the total assets in equity method were NT\$ 948,380,000 and accounted for 7% of the total assets. The net revenue in equity method of 2018 was NT\$9,567,000 accounting for 2% of the net revenue.

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

Management is responsible for the preparation and fair representation of the Individual 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 individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing individual 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 intends to liquidate the Company or terminate the business, or no practicable measure other than liquidation or termination of the business can be taken.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Individual Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Individual 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 Generally Accepted Auditing Standards (GAAS) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If it can be reasonably expected that misstatements in individual amounts or aggregates could influence the economic decisions of users taken on the basis of these Individual financial statements, then the misstatements are deemed to as material.

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 implement the following tasks:

- VII. Identify and assess the risks of material misstatements of the Individual financial statements, whether due to fraud or error, design and implement appropriate countermeasures to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our

opinion. Since irregularities can involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control, the risks of failing to detect material misstatements resulting from fraud is higher than for one resulting from errors.

- VIII. 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 Company's internal control.
- IX. Evaluate the appropriateness of accounting policies adopted by management as well as reasonableness of its accounting estimates and related disclosures.
- X. Conclude on the appropriateness of the management's use of the going concern basis of accounting, 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 Individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our audit report. However, future events or circumstances may cause the Company to lose its capacity to function as a going concern.
- XI. Evaluate the overall presentation, structure, and contents of individual financial statements (including the disclosures), and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- XII. Obtain sufficient and appropriate audit evidence regarding the financial information of entities within the Group to express an opinion on the Individual financial statements. We are responsible for the direction, supervision, and implementation 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 significant internal control deficiencies identified during our audit).

We have also provided a declaration to the governing bodies stating that the personnel of our affiliated firm has followed the item of independence in the CPA code of professional ethics. We have also communicated with the governing bodies on all relationships that may possibly be deemed to impair our independence as well as other matters (including relevant protective measures).

From the matters communicated with the governing body, we determined the key audit matters that were of most significance within the audit of the Company's Individual Financial Statements for the year ended in December 31, 2017. 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.

Deloitte & Touché

CPA Liao, Hung-Ju

CPA Kung, Chun-Chi

Approval No. from Financial Supervisory  
Commission R.O.C. (Taiwan)  
No. 0990031652 in FSC

Approval No. from the Securities and Futures  
Commission  
No. 0920123784 in TWSE

March 21, 2019



Nan Pao Resins Chemical Co., Ltd.  
Individual Financial Statements  
December 31, 2017 and 2018

Unit: NT\$1,000

Code	Asset	December 31, 2018		December 31, 2017		Code	Liabilities and Shareholders' Equity	December 31, 2018		December 31, 2017	
		Amount	%	Amount	%			Amount	%	Amount	%
	<b>Current Assets</b>						<b>Current Liabilities</b>				
1100	Cash and Cash Equivalents (Note 4 and 6)	\$ 828,391	6	\$ 787,390	25	2100	Short-Term Loans (Note 18)	\$ 670,000	5	\$ 780,000	6
1150	Notes Receivable (Note 4 and 11)	210,017	2	219,042	2	2110	Short-Term Notes and Bills Payable (Note 18))	-	-	119,923	1
1160	Notes Receivable-Affiliate (Note 4 11 and 33)	-	-	229	-	2130	Contract Liability-Current (Note 23)	10,442	-	-	-
1170	Accounts Receivable (Note 4, 11 and 23)	318,196	3	305,985	3	2150	Notes Payable (Note 19)	25,072	-	32,524	-
1180	Accounts Receivable - Affiliate (Note 4, 11, 23 and 33)	653,955	5	619,002	5	2200	Other Payables (Note 20 and 33)	331,087	2	337,286	3
1200	Other Receivables (Note 4, 11 and 33)	18,606	-	12,619	-	2230	Current Income Tax Liabilities (Note 25)	145,092	1	199,204	2
130X	Inventory (Note 4 and 12)	575,710	4	639,357	5	2300	Other Current Liability (Note 20, 23 and 33)	22,564	-	11,540	-
1470	Other Current Assets (Note 17)	41,487	-	29,972	-	21XX	Total Current Liabilities	1,811,907	13	2,173,880	18
11XX	Total Current Assets	10,669,750	61	10,137,504	67	2540	Long Term Debt Payable (Note 18)	1,281,000	10	1,460,000	12
	<b>Non-Current Assets</b>					2570	Deferred Income Tax Liabilities (Note 4, 5 and 25)	701,093	5	747,095	6
1517	Financial Assets Measured at FVTOCI					2640	Net Defined Benefit Liabilities-Non Current (Note 4 and 21)	133,221	1	162,415	2
	Financial Assets – Non-Current (Note 4 and 7)	1,202,938	9	-	-	25XX	Total Non-Current Liabilities	2,115,314	16	2,369,510	20
1543	Financial Assets Carried at Cost - Non-current					2XXX	Total Liabilities	3,927,221	29	4,543,390	38
	(Note 4 and 10)	-	-	179,897	1		<b>Equity Attributable to Company Shareholders (Note 22)</b>				
1535	Financial Assets at Amortized Cost - Non						<b>Equity</b>				
	Current (Note 4, 8 and 9)	13,937	-	-	-	3110	Ordinary Shares	1,205,707	9	1,086,207	9
1550	Investments Accounted for Using Equity Method (Note 4 and 13)	7,752,711	57	7,276,155	61	3200	Capital Reserve	2,108,235	15	1,290,212	11
1600	Property, Plant & Equipment (Note 4 and 14)	1,735,208	13	1,633,008	14		Retained Earnings				
1760	Investment Property (Note 4 and 15)	17,760	-	17,760	-	3310	Statutory Surplus Reserve	988,725	7	900,538	7
1780	Other Intangible Assets (Note 4 and 16)	12,084	-	14,124	-	3320	Special Surplus Reserve	313,321	3	313,321	3
1840	Deferred Income Tax Assets (Note 4 and 25)	122,342	1	116,849	1	3350	Retained Earnings	4,207,525	31	4,158,679	35
1990	Other Non-Current Assets (Note 4 and 17)	51,502	-	149,241	1	3300	Total Reserved Earnings	5,509,571	41	5,372,538	45
15XX	Total Non-Current Assets	10,908,482	80	9,387,034	78	3400	Other Equity	804,110	6	(291,717)	(3)
						3XXX	Total Equity	9,627,623	71	7,457,240	62
							<b>Total Liabilities and Equity</b>	<b>\$ 13,554,844</b>	<b>100</b>	<b>\$ 12,000,630</b>	<b>100</b>

(Please refer to Audit Report of Deloitte & Touche on March 21, 2019)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Individual Comprehensive Balance Sheet  
For the Years Ended December 31, 2018 and 2017

Unit: NT\$1,000  
(except earnings per share, which is denoted in NT\$)

Code		2018		2017	
		Amount	%	Amount	%
4000	Operating Revenue (Note 4, 23, and 33)	\$ 5,321,256	100	\$ 5,146,035	100
5000	Operating Cost (Note 12, 21, 24 and 33)	<u>4,074,419</u>	<u>77</u>	<u>3,823,989</u>	<u>74</u>
5900	Gross Profit	1,246,837	23	1,322,046	26
5910	Unrealized Interest with subsidiaries and affiliates	( 73,745)	( 1)	( 76,303)	( 2)
5920	Realized Interest with subsidiaries and affiliates	<u>76,303</u>	<u>2</u>	<u>108,523</u>	<u>2</u>
5950	Realized Operational Gross Profit	<u>1,249,395</u>	<u>24</u>	<u>1,354,266</u>	<u>26</u>
	Operating Expenses (Note 21, 24 and 33)				
6100	Selling Expenses	453,354	9	354,618	7
6200	General and Administrative Expenses	248,260	5	330,046	6
6300	Research and Development Expenses	184,002	3	169,168	3
6450	Estimated Credit Impairment Loss or Gain	<u>1,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total Operating Expenses	<u>887,366</u>	<u>17</u>	<u>853,832</u>	<u>16</u>
6900	Net Operating Profit	<u>362,029</u>	<u>7</u>	<u>500,434</u>	<u>10</u>
	Non-Operating Income and Expenses (Note 4, 24 and 33)				
7010	Other Income	107,168	2	49,710	1
7020	Other Gains and Losses	32,850	1	( 58,495)	( 1)
7050	Financing Cost	( 26,621)	(1)	( 26,288)	( 1)

(Continued on next page)

<u>Code</u>		<u>2018</u> <u>Amount</u>	<u>%</u>	<u>2017</u> <u>Amount</u>	<u>%</u>
7070	Share of Profit of Subsidiaries and Affiliates or Loss of Associates Accounted for Using Equity Method	<u>381,640</u>	<u>7</u>	<u>593,412</u>	<u>12</u>
7000	Total Non-Operating Income and Expenses	<u>495,037</u>	<u>9</u>	<u>558,339</u>	<u>11</u>
7900	Pre-Tax Profit	857,066	16	1,058,773	21
7950	Income Tax Expenses (Note 4 and 25)	<u>184,291</u>	<u>3</u>	<u>176,899</u>	<u>4</u>
8200	Net Profit of the Year Other Comprehensive Gain or Loss (Note 25, 26 and 29)	<u>\$ 672,775</u>	<u>13</u>	<u>\$ 881,874</u>	<u>17</u>
8310	Items that will not be reclassified to profit or loss:				
8311	Remeasurement of Defined Benefit Plans	12,604	-	47,577	1
8316	Unrealized Valuation Loss (gain) on Investments in an Equity Instrument Measured at FVTOCI	( 337,983)	(6)	-	-
8349	Income Tax Related to Items that will not be Reclassified	<u>(4,248)</u>	<u>-</u>	<u>(8,088)</u>	<u>-</u>
		<u>( 341,275)</u>	<u>(6)</u>	<u>40,240</u>	<u>1</u>
8360	Items that may be Reclassified to Profit or Loss:				
8361	Exchange differences on translation of foreign financial statements	63,409	1	( 334,645)	( 7)
8380	Share of Profit of Associates Accounted for Using Equity Method	9,444	-	( 10,522)	-

(Continued on next page)

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Code		2018		2017	
		Amount	%	Amount	%
8399	Income Tax Related to Items that may be Reclassified	( 4,026)	-	58,679	-
		<u>68,827</u>	<u>1</u>	<u>(286,488)</u>	<u>( 6)</u>
8300	Total Other Comprehensive Income for the Year (net of tax)	( 272,448)	( 5)	( 246,248)	( 5)
8500	Total comprehensive income for the year	<u>\$ 400,327</u>	<u>8</u>	<u>\$ 635,626</u>	<u>12</u>
	Earnings per Share (Note 26)				
9710	Base	\$ 6.15		\$ 8.22	
9810	Diluted	6.12		8.16	

The attached Notes are part of the consolidated financial statements.  
(Please refer to Audit Report of Deloitte & Touche on March 21, 2019)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Individual Statement of Changes in Equity  
For the Years Ended December 31, 2018 and 2017

Unit: NT\$1,000  
(except earnings per share and share issuance price, which are denoted in NT\$)

Code		Equity Attributable to Owners								
		Retained Earnings					Other Equity			
		Capital	Capital Reserve	Statutory Surplus Reserve	Special Surplus Reserve	Undistributed Earnings	Exchange Difference on Conversion of Foreign Operations	Financial Assets Measured at FVTOCI Unrealized Gain or Loss	Total	Total Equity
A1	Balance as of January 1, 2017	\$ 1,034,909	\$ 778,977	\$ 768,016	\$ 313,321	\$ 3,902,903	( \$ 5,229 )	\$ -	( \$ 5,229 )	\$ 6,792,897
B1	2016 Earnings Distribution (Note 22)									
B5	Statutory Surplus Reserve	-	-	132,522	-	( 132,522 )	-	-	-	-
B5	Cash Dividend - NT\$5 per share	-	-	-	-	( 532,455 )	-	-	( 532,455 )	( 532,455 )
C13	Distribution of Capital Surplus in Stock Dividend - NT\$0.2 per share (Note 26)	21,298	( 21,298 )	-	-	-	-	-	-	-
D1	Net Profit for 2017	-	-	-	-	881,874	-	-	-	881,874
D3	Other Comprehensive Income after Tax for 2017	-	-	-	-	40,240	( 286,488 )	-	( 286,488 )	( 246,248 )
D5	Total Comprehensive Income for 2017	-	-	-	-	922,114	( 286,488 )	-	( 286,488 )	635,626
E1	Capital Increase on June 16, Issued at NT\$180 per Share (Note 26)	30,000	510,000	-	-	-	-	-	-	540,000
M3	Disposition of Subsidiaries (Note 32)	-	-	-	-	-	-	-	-	( 7,097 )
M5	Book Value Differences in Acquisition or Disposal of Shares from Subsidiaries (Note 33)	-	22,926	-	-	( 1,361 )	-	-	-	21,565
M7	Changes in Subsidiary Shares (Note 33)	-	( 393 )	-	-	-	-	-	-	( 393 )
Z1	Balance as of December 31, 2017	<u>1,086,207</u>	<u>1,290,212</u>	<u>900,538</u>	<u>313,321</u>	<u>4,158,679</u>	<u>( 291,717 )</u>	<u>-</u>	<u>( 291,717 )</u>	<u>7,457,240</u>
A3	Impact of Retrospective Application (Note 3)	-	-	-	-	-	-	1,376,496	1,376,496	1,376,496
A5	Adjusted Balance as of January 1, 2018	1,086,207	1,290,212	900,538	313,321	4,158,679	( 291,717 )	1,376,496	1,084,779	8,833,736
B1	Appropriation of Net Income in 2017 (Note 26)									
B5	Statutory Surplus Reserve	-	-	88,187	-	( 88,187 )	-	-	-	-
B5	Cash Dividend - NT\$5 per share	-	-	-	-	( 543,104 )	-	-	-	( 543,104 )
C17	Cost of Share-based Payment	-	358	-	-	-	-	-	-	358
D1	Net Profit for 2018	-	-	-	-	672,775	-	-	-	672,775
D3	Other Comprehensive Income after Tax in 2018	-	-	-	-	8,221	68,827	( 349,496 )	( 280,669 )	( 272,448 )
D5	Total Comprehensive Income in 2018	-	-	-	-	680,996	68,827	( 349,496 )	400,327	448,744
E1	Capital Increase - November 26, Issued at NT\$76.8 to 79.56 per Share (Note 26)	119,500	817,663	-	-	-	-	-	-	937,163
M5	Book Value Differences in Acquisition or Disposal of Shares from Subsidiaries (Note 33)	-	2	-	-	( 859 )	-	-	-	( 857 )
O1	Increase in Non-Controlling Interests	-	-	-	-	-	-	-	-	21,286
Z1	Balance as of December 31, 2018	<u>\$ 1,205,707</u>	<u>\$ 2,108,235</u>	<u>\$ 988,725</u>	<u>\$ 313,321</u>	<u>\$ 4,207,525</u>	<u>( \$ 222,890 )</u>	<u>\$ 1,027,000</u>	<u>\$ 804,110</u>	<u>\$ 9,627,623</u>

The attached Notes are part of the consolidated financial statements.  
(Please refer to Audit Report of Deloitte & Touche on March 21, 2019)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Individual Cash Flow Statement  
For the Years Ended December 31, 2018 and 2017

Unit: NT\$1,000

Employee Stock Option Costs		2018	2017
<u>C o d e</u>		<u>2018</u>	<u>2017</u>
	Cash flow from operating activities		
A10000	Net Profit before Tax for the Year	\$ 857,066	\$ 1,058,773
A20010	Gains and Losses:		
A20100	Depreciation	121,999	104,488
A20200	Amortization	4,795	3,754
A20400	Estimated Credit Impairment Loss	1,750	-
A21900	Employee Stock Option Costs	358	-
A21200	Interest Income	( 1,047)	(672)
A21300	Dividend Income	( 98,176)	(46,083)
A20900	Financing Costs	26,621	26,288
A22500	Loss on Disposal of Properties, Plants, and Equipment	1,750	3,295
A23700	Allowance for Inventory Valuation and Obsolescence Loss	12,891	50,286
A23900	Unrealized interest with subsidiaries	73,745	76,303
A24000	Realized interest with subsidiaries	( 76,303)	(108,523)
A31130	Notes Receivable	9,025	(8,981)
A31140	Accounts Receivable-Affiliates	229	84,737
A31150	Accounts Receivable	(16,977)	50,700
A31160	Accounts Receivable - Stakeholders	(31,937)	( 121,178)
A31180	Other Receivables	(5,987)	8,469
A31200	Inventory	50,756	( 249,993)
A31240	Other Current Assets	( 11,515)	1,708
A32125	Contract Liabilities	984	-
A32130	Notes Payable	( 8,122)	( 21,046)
A32150	Accounts Payable	( 85,753)	80,418
A32180	Other Payables	2,003	5,226
A32230	Other Current Liabilities	20,482	(18,296)
A32240	Net Defined Benefit Liabilities	( 16,590)	(5,357)
A33000	Cash Flow from Operating Activities	450,407	381,081
A33100	Interest Income Received	1,047	681
A33300	Interest Paid	( 26,614)	( 26,530)
A33500	Income Tax Paid	( 298,172)	( 121,343)
<u>C o d e</u>		<u>2018</u>	<u>2017</u>
<u>C o d e</u>		<u>2018</u>	<u>2017</u>
	Cash Flow from Investment Activities		
B00300	Acquisition of Financial Assets Measured at Cost	\$ -	( \$20,000 )
B01800	Acquisition of Investments Measured at Equity	( 491,771 )	( 1,155,738 )
B02700	Purchase of Properties, Plants, and Equipment	( 150,017 )	( 343,936 )
B02800	Disposition of PPE	639	3,895
B03700	Increase in Refundable Deposits	( 308 )	( 600 )
B03800	Decrease in Refundable Deposits	-	23
B04500	Purchased Intangible Assets	( 2,755 )	( 2,499 )
B07600	Dividends Received	573,409	813,723
BBBB	Net Cash Flow from Investing Activities (out)	( 70,803 )	( 705,132 )
	Cash Flow from Financing Activities		
C00100	Increase in Short-Term Loans	3,555,000	3,863,024

C00200	Decrease in Short-Term Loans	(3,665,000 )	( 3,985,185 )
C00500	Increase in Short-Term Notes and Bills Payable	259,508	469,049
C00600	Decrease in Short-Term Notes and Bills Payable	( 379,431 )	( 499,012 )
C01600	Long-Term Loans Borrowed	3,011,000	2,510,000
C01700	Long-Term Loans Repaid	( 3,190,000 )	( 2,090,000 )
C04500	Cash Dividends	( 543,104 )	( 532,455 )
C04600	Capital Cash Increase	<u>937,163</u>	<u>540,000</u>
CCCC	Net Cash Inflow from Financing Activities	( <u>14,864</u> )	<u>275,421</u>
EEEE	Net Decrease in Cash and Cash Equivalents	41,001	( 195,822 )
E00100	Cash and Cash Equivalents at Beginning of Year	<u>787,390</u>	<u>983,212</u>
E00200	Cash and Cash Equivalents at End of Year	<u>\$ 828,391</u>	<u>\$ 787,390</u>

The attached Notes are part of the consolidated financial statements.  
(Please refer to Audit Report of Deloitte & Touche on March 21, 2019)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

**Attachment 4****Nan Pao Resins Chemical Co., Ltd.**  
**2018 Earnings Distribution Plan**

Unit : NT\$

Item	Amount
Beginning retained earnings	\$ 3,527,388,040
Retained earnings on equity method investment	( 859,612)
Defined benefit plan remeasurement on retained earnings	8,221,436
Adjusted retained earnings	\$ 3,534,749,864
Net income	672,774,784
Less: 10% legal reserve	( 67,277,478)
Distributable net profit	\$ 4,140,247,170
Distributable items:	
Shareholders dividends - Cash dividends (@\$5/share)	( 602,853,900)
Unappropriated retained earnings	\$ 3,537,393,270
Note : Shareholders dividends is calculated with total outstanding shares-120,570,780 shares by March 21,2019, however the actual cash dividend is calculated on the record date for dividend with actual outstanding share numbers, the total dividend amount will not change.	

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin



## Attachment 5

### Nan Pao Resins Chemical Co., Ltd. Comparison Table of Amended Articles for Articles of Incorporation

Article	Amendment	Original	Note
Article 1	The Company is incorporated in accordance with the regulations on companies limited by shares under the Company Act of the Republic of China and named Nan Pao Resins Chemical Co., Ltd.	The Company is incorporated in accordance with the regulations on companies limited by shares under the Company Act of the Republic of China and named Nan Pao Resins Chemical Co., Ltd.	Does not amend in English version °
Article 6	All the shares issued by the Company shall be name-bearing and signed or sealed by the Company's directors. Shares can be issued by the competent authority or the competent authority's approved share-issuing institution after the shares are recorded. The Company may issue shares without printing share certificates, but shall be in custody or registration under centralized securities depository enterprises.	All the shares issued by the Company shall be name-bearing and signed or sealed by <del>at least three of</del> the Company's directors. Shares can be issued by the competent authority or the competent authority's approved share-issuing institution after the shares are recorded. The Company may issue shares without printing share certificates, but shall be in custody or registration under centralized securities depository enterprises.	A sentence is amended
Article 7-1	<u>The employees of the Company and the employees from subsidiaries who can buy or be transferred the shares including equity subscription, the shares which reserved for employees while issuing new shares, employee stock option certificates and restricted stock awards shall meet the criteria or conditions. So what criteria and conditions shall be decided by the board.</u>		Add an Employee reward Policy.
Article 9	When the Company holds a shareholders' meeting, it may exercise its voting right in writing or electronically; it shall be executed in accordance with relevant laws and regulations. If a shareholder is unable to attend the shareholders' meeting, the shareholder may compliance with Article 177 of the Company Act appoint a proxy to attend the meeting. In addition to the compliance with Article 177 of the Company Act, the Company shall make arrangements in accordance with the "Regulations Governing the Use of Proxies for Attendance at Shareholders' Meetings of Public Companies" promulgated by the competent authority.	When the Company holds a shareholders' meeting, it may exercise its voting right in writing or electronically; it shall be executed in accordance with relevant laws and regulations. If a shareholder is unable to attend the shareholders' meeting, the <del>shareholder may appoint a proxy to attend the meeting, and shall in each instance issue a signed and sealed letter of proxy stating the scope of authorization with respect to the items on the meeting agenda.</del> In addition to the compliance with Article 177 of the Company Act, <del>after the Company's public offering of shares,</del> the Company shall make arrangements in accordance with the "Regulations Governing the Use of Proxies for Attendance at Shareholders' Meetings of Public	Sentence are amended °

Article	Amendment	Original	Note
		Companies” promulgated by the competent authority.	
Article 15	<u>The Company Stock Affairs to dealt with company stock affairs in accordance with the “Criteria Governing Handling of Stock Affairs by Public Stock Companies” and the applicable laws, rules, and regulations</u>		Add an article” “Criteria Governing Handling of Stock Affairs by Public Stock Companies to dealt with company stock affairs.
Article 16 (Article 15 in origin)	The Board of Directors’ meeting shall be convened at least once every quarter. A notice specifying the reason for convening a Board meeting shall be sent to all directors seven days before the scheduled meeting day; in emergency circumstances, however, a Board meeting may be convened on short notice. The notice <u>from the board</u> shall be in writing, by email, or by fax	The Board of Directors’ meeting shall be convened at least once every quarter. A notice specifying the reason for convening a Board meeting shall be sent to all directors seven days before the scheduled meeting day; in emergency circumstances, however, a Board meeting may be convened on short notice. The notice <del>referred to in the preceding paragraph</del> shall be in writing, by email, or by fax	A sentence amended °
(Article 18 in origin)		<del>In compliance with Article 14 4 of the Securities and Exchange Law, the Company shall establish an Audit Committee, which shall consist of at least 3 independent directors. The members of the Audit Committee shall be responsible for those responsibilities of supervisors specified under the Company Law, the Securities and Exchange Law, and other relevant regulations. At the same time as the establishment of the Audit Committee, the supervisors were abolished, and the provisions of the Articles of Association regarding the supervisors were immediately invalidated.</del>	Repeated appearance as Article 22, thus deleted the original Article 18.
Article 22	The board of the company may establish the committee in different functions, the requirements, authority exercises and other issues shall be dealt with in accordance with the applicable laws, rules, and regulations. The Company establish an audit committee in lieu of a supervisor, The audit committee shall be composed of the entire number of independent directors	<del>The Audit Committee is established by the Company in compliance with the law and shall be composed of the entire independent directors. Powers of office conferred by the Company Act, Securities and Exchange Act, and any other laws to be exercised by supervisors shall be performed by the Audit Committee. Matters concerning the number, term of office, powers, rules of procedure for meetings, and resources to be provided by the Company when the Audit Committee exercises its powers shall be handled in accordance with the Audit Committee Charter.</del>	Sentences are amended.
Article 25	The Company shall set aside 2% to 6% of its annual profits as	The Company shall set aside 2% to 6% of its annual profits as	Amend the employee reward

Article	Amendment	Original	Note
	<p>remuneration to its employees and no more than 3% of its annual profits as remuneration to <u>its directors</u>. However, the Company shall have reserved a sufficient amount to offset its accumulated losses before the distribution of remuneration to employees <u>and directors</u> as per the percentage mentioned above. Employees' remuneration may be distributed in shares or cash, and the recipients may include employees of the corporations that the Company owes shares and its subsidiary companies who meet certain conditions. The board shall be authorized to draw up the conditions.</p>	<p>remuneration to its employees and no more than 3% of its annual profits as remuneration to its directors <u>and supervisors</u>. However, the Company shall have reserved a sufficient amount to offset its accumulated losses before the distribution of remuneration to employees, directors, <u>and supervisors</u> as per the percentage mentioned above. Employees' remuneration may be distributed in shares or cash, and the recipients may include employees of its subsidiary companies who meet certain conditions.</p>	<p>policies according to the Company Act</p>
Article 29	<p>The Articles of Association was enacted on August 30, 1963...,<u>the forty-eighth amendment was made on June 14, 2019.</u></p>	<p>The Articles of Association was enacted on August 30, 1963...</p>	<p>Add the latest date of amendment</p>

## Attachment 6

### Nan Pao Resins Chemical Co., Ltd. Comparison Table of Amended Articles for Procedures for Acquisition and Disposal of Assets

Article	Amendment (2.3)	Original(2.2)	Note
2	<p>2. Scope:</p> <p>2.1. Securities: Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interests in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>2.2. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.</p> <p>2.3. Membership cards.</p> <p>2.4. Intangible assets: Patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p><u>2.5. Right of asset access</u></p> <p><u>2.6. Claims of financial institutions</u> (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p><u>2.7. Derivatives.</u></p> <p><u>2.8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</u></p> <p><u>2.9. Other major assets.</u></p>	<p>2. Scope:</p> <p>2.1. Securities: Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interests in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>2.2. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.</p> <p>2.3. Membership cards.</p> <p>2.4. Intangible assets: Patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p>2.5. Right of asset access</p> <p>2.6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p>2.6. Derivatives.</p> <p>2.7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</p> <p>2.8. Other major assets.</p>	<p>According to an official amendment notice letter No.1070341072 from Financial Supervisory Commission on Nov. 26<sup>th</sup>.</p>
3.1.	<p>3.1. Derivatives: These include forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, and compound contracts combining the aforementioned products whose value is derived from <u>specific interest rates, financial instrument price, product price, foreign exchange rates, index of price or foreign exchange, indices, credit rating, credit index or other variables, the combo of forward contracts, or contracts of financial derivatives or structural goods.</u> The forward contracts described above do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (distribution) contracts.</p>	<p>3.1. Derivatives: These include forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, and compound contracts combining the aforementioned products whose value is derived from assets, interest rates, foreign exchange rates, indices, or other interests. The forward contracts described above do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (distribution) contracts.</p>	<p>According to an official amendment notice letter No.1070341072 from Financial Supervisory Commission on Nov. 26<sup>th</sup>.</p>
3.2.	<p>3.2. Assets acquired or disposed of through mergers, demergers, acquisitions, or transfers of shares in accordance with law: This refers to assets acquired or disposed of through</p>	<p>3.2. Assets acquired or disposed of through mergers, demergers, acquisitions, or transfers of shares in accordance with law: This refers to assets acquired or disposed of through</p>	<p>According to an official amendment notice letter No.1070341072 from Financial</p>

	mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts. This also includes the transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3, of the Company Act.	mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts. This also includes the transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, <del>Paragraph 8</del> of the Company Act.	Supervisory Commission on Nov. 26 <sup>th</sup> .
3.7.	3.7. The 10 percent of total assets stipulated in the Procedures shall be calculated based on the total assets in the Company's most recent individual financial reports. In the case of a <u>subsidiary</u> whose shares have no par value or a par value other than NT\$10, <u>for the calculation of transaction of the subsidiary</u> amounts of 20 percent of paid-in capital under these Regulations, 10 percent of equity attributable to owners of the parent shall be substituted.	3.7. The 10 percent of total assets stipulated in the Procedures shall be calculated based on the total assets in the Company's most recent individual or <del>individual</del> financial reports. In the case of a company whose shares have no par value or a par value other than NT\$10, <del>for the calculation of transaction</del> amounts of 20 percent of paid-in capital under these Regulations, 10 percent of equity attributable to owners of the parent shall be substituted.	A sentence is amended.
5.1.	Any professional appraisers and its appraisal personnel, certified public accountants, lawyers, or securities underwriters whom the Company has acquired appraisal reports and opinions from <u>shall meet the following conditions:</u> <u>1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u> <u>2. May not be a related party or de facto related party of any party to the transaction.</u> <u>3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other. When issuing an appraisal report or opinion, the personnel referred to in</u>	Any professional appraisers and its appraisal personnel, certified public accountants, lawyers, or securities underwriters whom the Company has acquired appraisal reports and opinions from, <del>shall not be a related party of the Company or the other party of the transaction.</del>	According to an official amendment notice letter No.1070341072 from Financial Supervisory Commission on Nov. 26 <sup>th</sup> .

	<p><u>the preceding paragraph shall comply with the following:</u></p> <p><u>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></p> <p><u>2. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></p> <p><u>3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></p> <p><u>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u></p>		
5.2.	<p>The acquisition or disposal of assets assessment and the acquisition or disposal of securities, real estate, and equipment of the Company shall be the approved with written or online documents of the competent unit of the Company and, if subject to evaluation, in accordance with relevant regulations.</p>	<p><del>The acquisition or disposal of assets assessment and the acquisition or disposal of securities, real estate, and equipment of the Company</del> shall be the responsibility of the competent unit of the Company and, if subject to evaluation, in accordance with relevant regulations.</p>	<p>A sentence is amended.</p>
5.3.	<p>Amount for Acquisition and Disposal of Assets:</p> <p><u>5.3.1. Real property and right-of-use assets there of or securities not acquired for business use.</u></p> <p><u>(1). The price the Company purchases the real property and right-of-use assets not acquired for business use shall not exceed 40% of the contributed capital.</u></p> <p><u>(2). The price that subsidiaries purchase the real property and right-of-use assets not acquired for business use shall not exceed 20% of the contributed capital.</u></p> <p><u>5.3.2. Limits on individual securities:</u></p> <p><u>(1). The limits of the Company invest in individual securities shall not exceed 5% of the contributed capital.</u></p>	<p><del>Amount and Authorization for Acquisition and Disposal of Assets:</del></p> <p><del>5.3.1. The acquisition and disposal of securities, real estate, and equipment shall be carried out after the Company's authorized unit filed and signed the approval via the signing/electronic signing system of the Company based on the approval limit. If the acquisition or disposal of the assets is subject to the resolution of the Board of Directors or General Shareholders' Meetings according to the provisions of the Company law or the Securities Exchange Act, the matter shall be handled after the resolution is passed in accordance with the law.</del></p>	<p>Sentence are amended.</p>

	<p><u>the total invest in securities shall not exceed 40% of the contributed capital.</u></p> <p><u>(2). The limits of the subsidiaries invest in individual securities shall not exceed 5% of the contributed capital.</u></p> <p><u>the total invest in securities shall not exceed 20% of the contributed capital.</u></p> <p>(3) Shares of the Company received from the capital allotment of earnings or reserve of the invested companies shall not be counted as the total amount of investment in this item.</p>		
5.4.1.	<p>Acquired or disposed of assets, <u>equipment or right-of-use asset</u> in accordance with the following rules:          Except for transactions with <u>Taiwanese</u> government institutions, contracting third parties to construct on land owned or rented by the Company, or acquisition of equipment for operation purpose, for acquisition or disposal of real estate or equipment, <u>or right-of-use assets</u> by the Company whose amount reaches 20% of the Company's paid-in capital or NT\$300 million, an appraisal report issued by a Professional Appraiser shall be obtained prior to the date of the event and the following provisions shall be complied with:          (1) If for any special reason, restricted price, specific price, or special price must be used as a reference for the transaction price, the transaction shall be approved by the Board in advance. The above procedures shall also be followed in case the transaction terms are changed subsequently.          (2) ...</p>	<p>Acquired or disposed of assets or equipment in accordance with the following rules:          Except for transactions with government institutions, contracting third parties to construct on land owned or rented by the Company, or acquisition of equipment for operation purpose, for acquisition or disposal of real estate or equipment by the Company whose amount reaches 20% of the Company's paid-in capital or NT\$300 million, an appraisal report issued by a Professional Appraiser shall be obtained prior to the date of the event and the following provisions shall be complied with:          (1) If for any special reason, restricted price, specific price, or special price must be used as a reference for the transaction price, the transaction shall be approved by the Board in advance. The above procedures shall also be followed in case the transaction terms are changed subsequently.          (2) ...</p>	<p>According to an official amendment notice letter No.1070341072 from Financial Supervisory Commission on Nov. 26<sup>th</sup>.</p>
5.4.3.	<p>Except for transactions with <u>Taiwanese</u> government institutions, if the Company's acquisition or disposal <u>of membership or the right-of-use or intangible assets</u> reaches 20% of the Company's paid-in capital or NT\$300 million, opinions in respect of a rational transaction price shall be sought from certified public accountant prior to the date of the event. The certified public accountant shall handle the matter in accordance with the provision of Auditing Standard No. 20 published by the ARDF.</p>	<p>Except for transactions with government institutions, if the Company's acquisition or disposal <u>of membership or intangible assets</u> reaches 20% of the Company's paid-in capital or NT\$300 million, opinions in respect of a rational transaction price shall be sought from certified public accountant prior to the date of the event. The certified public accountant shall handle the matter in accordance with the provision of Auditing Standard No. 20 published by the ARDF.</p>	<p>According to an official amendment notice letter No.1070341072 from Financial Supervisory Commission on Nov. 26<sup>th</sup>.</p>
5.4.4.	<p>The calculation of the transaction amounts referred to in 5.4.1-5.4.3. shall be done in accordance with <u>5.8.1.7.</u> and "within the preceding year" as used herein refers to the year</p>	<p>The calculation of the transaction amounts referred to in 5.4.1-5.4.3. shall be done in accordance with <u>5.7.1.7.</u> and "within the preceding year" as used herein refers to the year</p>	<p>According to the amendment of the articles</p>

	preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.	preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.	
5.6.2.(7)	When <u>the Company</u> participating in the merger, spin-off, acquisition or transfer of shares, the Company shall announce in the Internet Information System according to relevant laws and regulations within two days from the date of the resolution of the Board of Directors.	<del>After the shares of the Company are traded or listed in the securities,</del> when participating in the merger, spin-off, acquisition or transfer of shares, the Company shall announce <del>the basic information of personnel and the date of important events as stipulated under the provision 5.6.1.(4)(a)(b)</del> in the Internet Information System according to relevant laws and regulations within two days from the date of the resolution of the Board of Directors.	Sentences are amended.
5.7.	<u>5.7.</u> Procedures for acquiring or disposing of assets from related parties	<u>5.8.</u> Procedures for acquiring or disposing of assets from related parties	The order of the articles swapped
5.7.1.	<u>5.7.1.</u> Regarding acquisition or disposal of assets between the Company and related parties, the related resolution procedures and reasonableness assessment of the transaction, etc. shall be carried out in accordance with the relevant regulations. Where the trading amount exceeds 10 percent of the Company's total assets, the Company shall also obtain appraisal reports produced by professional appraisers or CPA's opinions pursuant to relevant regulations. The calculation of the transaction amount of the preceding paragraph shall be handled in accordance with the provisions of 5.4.4. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered	<u>5.8.1.</u> Regarding acquisition or disposal of assets between the Company and related parties, the related resolution procedures and reasonableness assessment of the transaction, etc. shall be carried out in accordance with the relevant regulations. Where the trading amount exceeds 10 percent of the Company's total assets, the Company shall also obtain appraisal reports produced by professional appraisers or CPA's opinions pursuant to relevant regulations. The calculation of the transaction amount of the preceding paragraph shall be handled in accordance with the provisions of 5.4.4. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.	According to the amendment of the articles
5.7.2.	<u>5.7.2.</u> Assessment and operating procedures: When the Company intends to acquire or dispose of real property <u>or the right-of-use assets</u> from or to a related party, or when it intends to acquire or dispose of assets other than real property <u>or the right-of-use assets</u> from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in	<u>5.8.2.</u> Assessment and operating procedures: When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and	According to an official amendment notice letter No.1070341072 from Financial Supervisory Commission on Nov. 26 <sup>th</sup> .



	<p>trading of <u>Taiwanese</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been audited by the Audit Committee and approved by the Board of Directors:</p> <p>(1) The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets.</p> <p>(2) The reason for choosing the related party as a trading counterparty.</p> <p>(3) Information related to the assessment of reasonableness of preliminary trading terms in accordance with <u>5.7.3</u>, under the Procedures for real estate <u>or the right-of-use assets</u> acquisition from a related party.</p> <p>(4) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p> <p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing the contract, an evaluation of the necessity of the transaction, and the reasonableness of the fund's utilization.</p> <p>(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>(7) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with <u>5.8.1.7</u>, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Audit Committee and resolved by the Board of Directors need not be counted toward the transaction amount.</p> <p>With respect to the acquisition or disposal of business-use equipment between the Company and its of the subsidiaries <u>or the subsidiaries in</u></p>	<p>resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been audited by the Audit Committee and approved by the Board of Directors:</p> <p>(1) The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets.</p> <p>(2) The reason for choosing the related party as a trading counterparty.</p> <p>(3) Information related to the assessment of reasonableness of preliminary trading terms in accordance with <u>5.8.3</u>, under the Procedures for real estate acquisition from a related party.</p> <p>(4) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p> <p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing the contract, an evaluation of the necessity of the transaction, and the reasonableness of the fund's utilization.</p> <p>(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>(7) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with <u>5.7.1.7</u>, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Audit Committee and resolved by the Board of Directors need not be counted toward the transaction amount.</p> <p>With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the Board of Directors may, in accordance with the authorized amount, level, execution unit, and transaction process,</p>	
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	<p><u>which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u>, the Board of Directors may, in accordance with the authorized amount, level, execution unit, and transaction process, authorize the Chairman to ratify the proposal within a certain limit first, and subsequently a proposal will be submitted to the next Board of Directors meeting for approval:</p> <p><u>1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u></p> <p><u>2. Acquisition or disposal of real property right-of-use assets held for business use.</u></p>	<p>authorize the Chairman to ratify the proposal within a certain limit first, and subsequently a proposal will be submitted to the next Board of Directors meeting for approval.</p>	
5.7.3.	<p><u>5.7.3.</u> Assessment of the reasonableness of transaction costs:</p> <p>(1) The Company shall evaluate the reasonability of the transaction costs by the following means in acquiring real estate or <u>right-of-use asset</u> from a related party:</p> <p>(a) Based upon the related party's transaction price, necessary interest for funding, and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property. It may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>(b) Total loan value appraisal from a financial institution where the Related Party has previously created a mortgage on the property as security for a loan. The actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property, and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a Related Party of one of the trading counterparties.</p> <p>(2) Where land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>(3) The Company shall assess the cost of the real estate <u>or right-of-use asset</u></p>	<p><u>5.8.3.</u> Assessment of the reasonableness of transaction costs:</p> <p>(1) The Company shall evaluate the reasonability of the transaction costs by the following means in acquiring real estate from a related party:</p> <p>(a) Based upon the related party's transaction price, necessary interest for funding, and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property. It may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>(b) Total loan value appraisal from a financial institution where the Related Party has previously created a mortgage on the property as security for a loan. The actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property, and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a Related Party of one of the trading counterparties.</p> <p>(2) Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>(3) The Company shall assess the cost of the real estate obtained from the relevant parties in accordance with the</p>	<p>According to an official amendment notice letter No.1070341072 from Financial Supervisory Commission on Nov. 26<sup>th</sup>.</p>

	<p>obtained from the relevant parties in accordance with the provisions of <u>5.7.3.(1)</u> and <u>5.7.3.(2)</u>, and shall ask the certified public accountant to review the assessment and give specific comments.</p> <p>(4) When the Company obtains real estate <u>or right-of-use asset</u> from a related party shall be handled in accordance with <u>5.7.2</u>, not applicable with <u>5.7.3.(1)</u> to <u>5.7.3.(3)</u>.</p> <p>(a) The related party acquired the real property <u>or right-of-use assets</u> thereof through inheritance or as a gift.</p> <p>(b) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or <u>right-of-use assets</u> thereof to the signing date for the current transaction.</p> <p>(c) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p> <p><u>(d) The real property right-of-use assets for business use are acquired by the Company or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></p> <p>.(5). According to 5.7.3(1) and 5.7.3.(2), it should follow 5.7.3(6) when the estimated price is lower than the transition price. However, where the Company acquires real estate from a related party and objective evidence, a professional real estate appraisal report, and a CPA's material reasonable opinion can be provided, the provisions of the preceding three paragraphs do not apply.</p> <p>(a) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>( I ) Where undeveloped land is appraised in accordance with the means in the preceding article and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's</p>	<p>provisions of <u>5.8.3.(1)</u> and <u>5.8.3.(2)</u>, and shall ask the certified public accountant to review the assessment and give specific comments.</p> <p>(4) When the Company <u>obtains real estate from a related party</u>, and the evaluation results, according to the provisions of <u>5.8.3.(1)</u> and <u>5.8.3.(2)</u>, are lower than the transaction price, it shall be handled in accordance with <u>5.8.3.(5)</u>.</p> <p>(a) The related party acquired the real property thereof through inheritance or as a gift.</p> <p>(b) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property thereof to the signing date for the current transaction.</p> <p>(c) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p> <p>.(5). According to 5.8.3(1) and 5.8.3.(2), it should follow 5.8.3(6) when the estimated price is lower than the transition price. However, where the Company acquires real estate from a related party and objective evidence, a professional real estate appraisal report, and a CPA's material reasonable opinion can be provided, the provisions of the preceding three paragraphs do not apply.</p> <p>(a)Where the Company acquires real estate from a related party and objective evidence, a professional real estate appraisal report, and a CPA's material reasonable opinion can be provided, the provisions of the preceding three paragraphs do not apply. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>( I ) Where undeveloped land is appraised in accordance with the means in the preceding article and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's</p>	
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	<p>construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>( II ) Completed transactions by unrelated parties within the preceding year involving other floors of the same property, neighboring, or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</p> <p>(b) Where the Company acquiring real estate <u>or the right-of-use assets</u> from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. The said transaction case in the preceding paragraph is based on the same or adjacent street profile, and the distance from the object of the transaction is less than 500 meters, or its present value is similar. If the said area is similar, the area of the transaction case of other non-parties shall not be less than 50% of the subject matter of the transaction. "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction.</p> <p>(6) If the Company acquires real estate <u>or right-of-use assets</u> from the related party, and the evaluation result is lower than the transaction price according to the provisions of <u>5.7.3.(1) to 5.7.3.(5)</u>, the following matters shall be handled.</p> <p>(a) A special reserve shall be set aside in accordance with Article 41, Paragraph 1 in the Securities Exchange Act based on the difference between the real estate <u>or right-of-use assets</u> transaction price and the appraised costs. This may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another publicly-listed company, the special reserve shall be set aside pro rata in a proportion in accordance</p>	<p>construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>( II ) Completed transactions by unrelated parties within the preceding year involving other floors of the same property, neighboring, or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</p> <p><del>(III) Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.</del></p> <p>(b) Where the Company acquiring real estate from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. The said transaction case in the preceding paragraph is based on the same or adjacent street profile, and the distance from the object of the transaction is less than 500 meters, or its present value is similar. If the said area is similar, the area of the transaction case of other non-parties shall not be less than 50% of the subject matter of the transaction. "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction.</p> <p>(5) If the Company acquires real estate from the related party, and the evaluation result is lower than the transaction price according to the provisions of <u>5.8.3.(1) to 5.8.3.(4)</u>, the following matters shall be handled.</p> <p>(a) A special reserve shall be set aside in accordance with Article 41, Paragraph 1 in the Securities Exchange Act based on the difference between the real estate transaction price and the appraised costs. This may not be distributed or used for</p>	
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	<p>with Article 41, Paragraph 1 in the Securities Exchange Act.</p> <p>(b) The members of independent directors of the Audit Committee shall comply with Article 218 of the Company Act.</p> <p>(c) The situation of <u>above</u> (a) and (b) of 5.8.3.(5) shall be reported to the Shareholders' Meeting, and the details of the transaction shall be disclosed in the annual report and the prospectus. Where a special reserve is recognized by the Company in accordance with the preceding paragraph, such reserve may be used upon approvals from FSC and after assets purchased <u>or leased</u> at a premium had recognized losses from decline of market value, been disposed of <u>or end the lease</u>, been compensated appropriately, or been restored to original status, or there are other pieces of evidence indicating the transaction is not unreasonable.</p> <p>(7) When the Company acquires real estate from a related party <u>or right-of-use assets</u>, if there is other evidence indicating that the transaction is not in line with the business regulations, it shall be subject to the provisions of <u>5.7.3(6)</u>.</p>	<p>capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another publicly-listed company, the special reserve shall be set aside pro rata in a proportion in accordance with Article 41, Paragraph 1 in the Securities Exchange Act.</p> <p>(b) The members of independent directors of the Audit Committee shall comply with Article 218 of the Company Act.</p> <p>(c) The situation of (a) and (b) of 5.8.3.(5) shall be reported to the Shareholders' Meeting, and the details of the transaction shall be disclosed in the annual report and the prospectus. Where a special reserve is recognized by the Company in accordance with the preceding paragraph, such reserve may be used upon approvals from FSC and after assets purchased at a premium had recognized losses from decline of market value, been disposed of, been compensated appropriately, or been restored to original status, or there are other pieces of evidence indicating the transaction is not unreasonable.</p> <p>(6) When the Company acquires real estate from related parties under any of the following circumstances, it shall comply with the provisions of <u>5.8.2.</u>, and <u>5.8.3.(1)</u> and <u>5.8.3.(2)</u> shall not apply.</p> <p>(a) The related party acquires the real estate through inheritance or as a gift.</p> <p>(b) More than five years have elapsed between the time the related party signed the contract to obtain the real property and the signing date for the current transaction.</p> <p>(c) The real property is acquired through the signing of a joint development contract with the related party or through engaging a Related Party to build real property either on the Company's own land or on leased land.</p> <p>(7) When the Company acquires real estate from a related party, if there is other evidence indicating that the transaction is not in line with the business regulations, it shall be subject to the provisions of <u>5.8.3(5)</u>.</p>	
5.8.	<u>5.8. Announcement and declaration</u>	<u>5.7. Announcement and declaration</u>	Articles have been swapped in order
5.8.1.	<u>5.8.1. The announcement and declaration including the following conditions:</u>	<u>5.7.1. The standards for announcement and declaration:</u> <u>5.7.1.1. Where the Company acquires</u>	According to an official amendment notice letter

	<p><u>5.8.1.1.</u> Where the Company acquires or disposes of real estate <u>or right-of-use assets</u> from related parties, or acquires or disposes assets other than real property <u>or right-of-use assets</u> from related parties, and the transaction amount reaches 20% of the Company' s paid-up capital, 10% of the total assets, or more than NT\$300 million. However, this does not apply to the trading of <u>Taiwanese</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.</p> <p><u>5.8.1.2.</u> Engagement in a merger, spin off, acquisition or transfer of shares.</p> <p><u>5.8.1.3.</u> Engagement in the trading of derivatives with loss reaching the upper limit for aggregate or individual contracts as stipulated in the procedures.</p> <p><u>5.8.1.4.</u> Where the type of assets acquired or disposed of is equipment <u>or right-of-use assets</u> for business use, the trading counter-party is not a related party, and the transaction amount meets any of the following requirements:</p> <p>(1) For a public company whose paid-in capital is less than NT\$ 10 billion with the trading amount exceeding NT\$ 500 million.</p> <p>(2) For a public company whose paid-in capital is more than NT\$ 10 billion with the trading amount exceeding NT\$ 1 billion.</p> <p><u>5.8.1.5.</u> Where land is acquired under an arrangement for engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and does not transit to related party</u> ,and the amount the Company expects to invest in the transaction is more than NT\$500 million</p> <p><u>5.8.1.6.</u> In addition to the aforementioned <u>above five items</u>, asset transactions, financial institutions disposition claims, or engagement in mainland investment, the transaction amount reaches 20% of the Company's paid-in capital or more than NT\$300 million. The following situations are excluded:</p> <p>(1) Purchase or sale of <u>Taiwanese</u></p>	<p>or disposes of real estate from related parties, or acquires or disposes assets other than real property from related parties, and the transaction amount reaches 20% of the Company' s paid-up capital, 10% of the total assets, or more than NT\$300 million. However, this does not apply to the trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.</p> <p><u>5.7.1.2.</u> Engagement in a merger, spin off, acquisition or transfer of shares.</p> <p><u>5.7.1.3.</u> Engagement in the trading of derivatives with loss reaching the upper limit for aggregate or individual contracts as stipulated in the procedures.</p> <p><u>5.7.1.4.</u> Where the <u>type of assets</u> acquired or disposed of is equipment for business use, the trading counter-party is not a related party, and the transaction amount meets any of the following requirements:</p> <p>(1) For a public company whose paid-in capital is less than NT\$ 10 billion with the trading amount exceeding NT\$ 500 million.</p> <p>(2) For a public company whose paid-in capital is more than NT\$ 10 billion with the trading amount exceeding NT\$ 1 billion.</p> <p><u>5.7.1.5.</u> Where land is acquired under an arrangement for engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is more than NT\$500 million</p> <p><u>5.7.1.6.</u> In addition to the aforementioned <u>5.7.1.1. - 5.7.1.5.</u>, asset transactions, financial institutions disposition claims, or engagement in mainland investment, the transaction amount reaches 20% of the Company's paid-in capital or more than NT\$300 million. The following situations are excluded:</p> <p>(1) Purchase or sale of government bonds.</p> <p>(2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-</p>	<p>No.1070341072 from Financial Supervisory Commission on Nov. 26<sup>th</sup>.</p>
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	<p>government bonds.</p> <p>(2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, subscription by investment professionals of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market (<u>not including subordinated debenture</u>), or <u>purchase or repurchase securities investment trust or futures trust fund</u>), or subscription by a securities firm as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>(3) Trading of bonds with repurchase or resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p><u>5.8.1.7.</u> The transaction amount mentioned in the above is calculated as follows, and the alleged one year is based on the date of the fact of the transaction and retroactively calculated for one year; the part announced in accordance with the regulations will be exempted.</p> <p>(1) Every trading amount.</p> <p>(2) The cumulative amount of acquisition or disposal of subject matters of the same category from the same counterparty within one year.</p> <p>(3) The cumulative amount of acquisition or disposal of real estate <u>or right-of-use assets</u> of the same development project within one year (the acquisition and disposal amounts shall be accumulated separately).</p> <p>(4) The cumulative amount of acquisition or disposal of the same securities within one year (the acquisition and disposal amounts shall be accumulated separately).</p>	<p>counter markets, subscription by investment professionals of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market, or subscription by a securities firm as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>(3) Trading of bonds with repurchase or resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p><u>5.7.1.7.</u> The transaction amount mentioned in the above <u>5.7.1.1. - 5.7.1.6.</u> is calculated as follows, and the alleged one year is based on the date of the fact of the transaction and retroactively calculated for one year; the part announced in accordance with the regulations will be exempted.</p> <p>(1) Every trading amount.</p> <p>(2) The cumulative amount of acquisition or disposal of subject matters of the same category from the same counterparty within one year.</p> <p>(3) The cumulative amount of acquisition or disposal of real estate of the same development project within one year (the acquisition and disposal amounts shall be accumulated separately).</p> <p>(4) The cumulative amount of acquisition or disposal of the same securities within one year (the acquisition and disposal amounts shall be accumulated separately).</p>	
5.8.2.	<p><u>5.8.2.</u> Time limit and procedure for announcement and declaration:</p> <p><u>5.8.2.1.</u> Where the Company and subsidiaries acquires or disposes of assets required by regulations to be publicly announced under the declaration standards, it shall publicly announce and declare the relevant information <u>on the FSC's designated website in the appropriate format as prescribed by regulations</u> within 2</p>	<p><u>5.7.2.</u> Time limit for announcement and declaration:</p> <p>Where the Company acquires or disposes of assets required by regulations to be publicly announced under the declaration standards, it shall publicly announce and declare the relevant information within 2 days commencing immediately from the date of occurrence of the event.</p> <p><u>5.7.3.</u> Announcement and declaration</p>	<p>According to an official amendment notice letter No.1070341072 from Financial Supervisory Commission on Nov. 26<sup>th</sup>.</p>

	<p>days commencing immediately from the date of occurrence of the event.</p> <p><u>5.8.2.2.</u> The Company shall compile monthly reports on the status of derivatives trading it and its subsidiaries engaged in up to the end of the preceding month by itself, and input into the information reporting website designated by the FSC by the 10th day of each month.</p> <p><u>5.8.2.3.</u> When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and declared in their entirety within two days from the day of becoming aware of the occurrence.</p> <p><u>5.8.2.4.</u> The contracts, meeting minutes, log books, appraisal reports, and opinions of certified public accounts, lawyers or securities underwriters in connection with the Company's acquisition or disposal of assets shall, except as otherwise specified by relevant laws, be kept in the Company for at least five years.</p> <p><u>5.8.2.5.</u> After the Company announces and declares trading, the Company shall, under any of the following circumstances, announce and declare related information on the website designated by FSC within two days counting inclusively from the date of the occurrence:</p> <p>(1) The contract signed in relation to the original trading is changed, terminated, or canceled.</p> <p>(2) The merger, spin-off, acquisition, or transfer of shares fails to be completed as scheduled.</p> <p>(3) There is change to the originally publicly announced and reported information.</p>	<p>procedures:</p> <p><u>5.7.3.1.</u> The Company shall report the relevant information to the designated website of the Financial Supervision Committee for public announcement.</p> <p><u>5.7.3.2.</u> The Company shall compile monthly reports on the status of derivatives trading it and its subsidiaries <u>that are not domestic public companies</u> engaged in up to the end of the preceding month by itself, and input into the information reporting website designated by the FSC by the 10th day of each month.</p> <p><u>5.7.3.3.</u> When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and declared in their entirety within two days from the day of becoming aware of the occurrence.</p> <p><u>5.7.3.4.</u> The contracts, meeting minutes, log books, appraisal reports, and opinions of certified public accounts, lawyers or securities underwriters in connection with the Company's acquisition or disposal of assets shall, except as otherwise specified by relevant laws, be kept in the Company for at least five years.</p> <p><u>5.7.3.5.</u> After the Company announces and declares trading in accordance with <u>the preceding Article</u>, the Company shall, under any of the following circumstances, announce and declare related information on the website designated by FSC within two days counting inclusively from the date of the occurrence:</p> <p>(1) The contract signed in relation to the original trading is changed, terminated, or canceled.</p> <p>(2) The merger, spin-off, acquisition, or transfer of shares fails to be completed as scheduled.</p> <p>(3) There is change to the originally publicly announced and reported information.</p>	
5.9.3.	<p>The paid-in capital or total assets of the Company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to the requiring a public announcement and filing in the event a transaction reaches 20% of paid-in capital or 10% of the total assets.</p>	<p>The paid-in capital or total assets of the Company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to the provision <del>5.7.</del> requiring a public announcement and filing in the event a transaction reaches 20% of paid-in capital or 10% of the total assets.</p>	Sentences are amended



5.11.	<p>Implementation and amendments</p> <p>5.11.1. The Procedures and any amendment hereto shall be approved by more than one half of all Audit Committee Members and then be submitted to the Board of Directors meeting for resolution; after it is passed by the Board of Directors, it would be sent to the Shareholders' Meeting for final approval.</p> <p>5.11.2. Items not dealt with in the Procedures will proceed in compliance with relevant legal regulations.</p>	<p>Implementation and amendments</p> <p>5.11.1. The Procedures and any amendment hereto shall be approved by more than one half of all Audit Committee Members and then be submitted to the Board of Directors meeting for resolution; after it is passed by the Board of Directors, it would be sent to the Shareholders' Meeting for final approval.</p> <p><del>5.11.2. Where the position of an independent director has been created in accordance with the Securities Exchange Act, when the procedures for the acquisition and disposal of assets are submitted for discussion by the Board of Directors pursuant to 5.11.1, 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.</del></p> <p><del>5.11.3. Where the Company has set up an Audit Committee according to the Securities Exchange Act, the establishment or amendment to the Procedures for Acquisition and Disposal of Assets shall be approved by more than half of all Audit Committee Members and then be submitted to the Board of Directors for resolution.</del></p> <p><del>If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, such asset transaction could be approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the Minutes of the Board of Directors' Meeting.</del></p> <p>5.11.4. Items not dealt with in the Procedures will proceed in compliance with relevant legal regulations.</p>	Simplified articles
8.	<p>Amendment Records:</p> <p>.....</p> <p><u>8.8. Edition 2.3 amended and approved by the Board of Directors on March 21, 2019, and implemented after the approval of the resolutions of the Shareholders' Meeting on June 14, 2019.</u></p>	Amendment Records:.....	List the latest amendment date

## Attachment 7

### Nan Pao Resins Chemical Co., Ltd. Comparison Table of Amended Articles for Procedures for Loans of Capital and Making Endorsements and Providing Guarantees

Article	Amendment (2.3)	Original (2.2)	Note
5.3.1 Article 3	When the endorsement balance of the Company reaches the following standards, it shall, in accordance with the prescribed format by nature, publish the relevant information on the designated website of the Financial Supervisory Commission within two days from the date of the fact: (a) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statements. (b) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statements. (c) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, <u>the carrying value of equity method</u> investment, and balance of loans to such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statements.	When the endorsement balance of the Company reaches the following standards, it shall, in accordance with the prescribed format by nature, publish the relevant information on the designated website of the Financial Supervisory Commission within two days from the date of the fact: (a) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statements. (b) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statements. (c) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, investment of a <u>long-term</u> nature in, and balance of loans to such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statements.	According to an official amendment notice letter No. 1080304826 from Financial Supervisory Commission on Mar. 7 <sup>th</sup> .
5.3.1 Article 6	“Date of occurrence” in the Procedures means the date of signing, date of payment, dates of boards of directors' resolutions, or other dates that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.	“Date of occurrence” in the Procedures means the date of <del>contract</del> signing, date of payment, dates of boards of directors' resolutions, or other dates that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.	According to an official amendment notice letter No. 1080304826 from Financial Supervisory Commission on Mar. 7 <sup>th</sup> .
5.5.5	<u>The Company has established</u> the independent directors, the Board of Directors shall fully consider the opinions of the independent directors when discussing the fund loan and endorsement/ guarantee procedures and related matters, and the <u>objections</u> shall be listed in the records of the Board of Directors' meetings.	<del>After</del> the establishment of the independent directors of the Company, the Board of Directors shall fully consider the opinions of the independent directors when discussing the fund loan and endorsement/ guarantee procedures and related matters, <del>and the specific opinions and reasons for his/her consent or objection</del> shall be listed in the records	According to an official amendment notice letter No. 1080304826 from Financial Supervisory Commission on Mar. 7 <sup>th</sup> .

Article	Amendment (2.3)	Original (2.2)	Note
5.6	The Procedures and any amendment hereto shall be submitted for approval by at least half of all members of the Audit Committee and the Board of Directors before submitting to the Shareholders' Meetings for approval. The matters under the preceding paragraph shall be subject to the approval of one half or more of the entire membership of the Audit Committee and may be adopted with the approval of two thirds or more of the entire board of directors, and shall be listed in the records of the Audit Committee meetings. The terms "all audit committee members" "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.	of the Board of Directors' meetings. The Procedures and any amendment hereto shall be submitted for approval by at least half of all members of the Audit Committee and the Board of Directors before submitting to the Shareholders' Meetings for approval.	According to an official amendment notice letter No. 1080304826 from Financial Supervisory Commission on Mar. 7 <sup>th</sup> .
8	Amendment Records: ..... <u>8.2. Edition 2.3 amended and approved by the Board of Directors on March 21, 2019, and implemented after the approval of the resolutions of the Shareholders' Meeting on June 14, 2019.</u>	Amendment Records: .....	List the latest amendment date

## **IV. Appendices**

### **Appendix 1: Rules and Procedures of Shareholders Meeting**

#### **NAN PAO RESINS CHEMICAL CO, LTD RULE OF PROCEDURES FOR SHAREHOLDERS' MEETING**

1. Purpose: To establish a strong governance system and sound supervisory capabilities for the Company's Corporation's shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.
2. Scope: The rules of procedures for The Company's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.
3. Definition: None.
4. Authority and responsibility: None.
5. Content:
  - 5.1. Unless otherwise provided by law or regulation, The Company's shareholders meetings shall be convened by the board of directors.
    - 5.1.1. The Company 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 or supervisors, 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. The Company 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, The Company 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 The Company and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.
    - 5.1.2. The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.
    - 5.1.3. Election or dismissal of directors or supervisors, amendments to the articles of incorporation, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.
    - 5.1.4. A shareholder holding 1 percent or more of the total number of issued shares may submit to The Company a written 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. 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.
- 5.1.5. Prior to the book closure date before a regular shareholders meeting is held, The Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.
- 5.1.6. 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.
- 5.1.7. Prior to the date for issuance of notice of a shareholders meeting, The Company 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.
- 5.2. For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by The Company and stating the scope of the proxy's authorization.
- 5.2.1. 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 The Company 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.
- 5.2.2. After a proxy form has been delivered to The Company, 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 The Company 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.
- 5.3. The venue for a shareholders meeting shall be the premises of The Company, 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. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.
- 5.4. The Company 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.
- 5.4.1. 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.
- 5.4.2. The Company 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.
- 5.4.3. The Company 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 or supervisors, pre-printed ballots shall also be furnished.
- 5.4.4. Shareholders and their proxies (collectively, "shareholders") shall attend

shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company 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.

- 5.4.5. 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.
- 5.5. 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 vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.
  - 5.5.1. 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. The same shall be true for a representative of a juristic person director that serves as chair.
  - 5.5.2. 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 a majority of the directors, at least one supervisor in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.
  - 5.5.3. 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.
  - 5.5.4. The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.
- 5.6. The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.
  - 5.6.1. 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.
- 5.7. 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.
  - 5.7.1. 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.
- 5.7.2. 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.
  - 5.7.3. 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.
- 5.8. If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.
- 5.8.1. 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.
  - 5.8.2. 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.
  - 5.8.3. 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.
- 5.9. 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.
- 5.9.1. 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.
  - 5.9.2. 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.
  - 5.9.3. 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.
  - 5.9.4. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.
- 5.10. Voting at a shareholders meeting shall be calculated based the number of shares.
- 5.10.1. 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.
- 5.10.2. 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 the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.
- 5.10.3. 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.
- 5.10.4. 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.
- 5.11. 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.
- 5.11.1. When the Company holds a shareholders meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means (in accordance with the proviso of Article 177-1 of the Company Act regarding companies that shall adopt electronic voting: When the Company 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; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.
- 5.11.2. A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company 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.
- 5.11.3. 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 the Company, 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.
- 5.11.4. Except as otherwise provided in the Company Act and in the Company'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.

- 5.11.5. 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.
- 5.11.6. 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 the Company.
- 5.11.7. 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.
- 5.12. The election of directors or supervisors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and supervisors and the numbers of votes with which they were elected.
  - 5.12.1. 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.
- 5.13. 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. The meeting minutes may be produced and distributed in electronic form.
  - 5.13.1. The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.
  - 5.13.2. 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, and shall be retained for the duration of the existence of the Company.
- 5.14. On the day of a shareholders meeting, the Company 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.
  - 5.14.1. If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or GreTai Securities Market) regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.
- 5.15. Staff handling administrative affairs of a shareholders meeting shall wear

- identification cards or arm bands.
- 5.15.1. 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."
  - 5.15.2. 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.
  - 5.15.3. 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.
- 5.16. 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.
- 5.16.1. 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.
  - 5.16.2. 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.
- 5.17. These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.
6. Attachment: None.
  7. Reference document: None.
  8. Amendment Records:
    - 8.1. Edition 1.0 approved by the Board of Directors on May 16, 2014.
    - 8.2. Edition 1.1 amended and approved by the Board of Directors on March 20, 2018, and implemented after the approval of the resolutions of the Shareholders' Meeting on June 14, 2018.

## Appendix 2: Articles of Incorporation (Before Amendments)

### **Nan Pao Resins Chemical Co., Ltd.**

#### **Articles of Incorporation**

##### **Chapter 1 General Provisions**

The Company is incorporated in accordance with the regulations on companies limited by shares under the Company Act of the Republic of China and named Nan Pao Resins Chemical Co., Ltd. The scope of business of the Company is as follows:

1. C801060 Synthetic Rubber Manufacturing
2. C801100 Synthetic Resin and Plastic Material Manufacturing
3. C802120 Industrial Catalyst Manufacturing
4. C802200 Varnish, Lacquer, Dye, and Pigment Manufacturing
5. ZZ99999 Business items not prohibited or restricted by law except those requiring special approval

The Company's head office is in Tainan City, Republic of China, and may, pursuant to a resolution adopted by the Board of Directors, set up branches, offices, or factories within or outside the territory of the Republic of China when deemed necessary.

The total amount of the Company's reinvested capital may exceed 40% of the paid-in capital and shall be the external guarantee of the same business.

##### **Chapter 2 Capital**

The total capital stock of the Company is 2 billion New Taiwan Dollars, divided into 200 million shares, at 10 New Taiwan Dollars each, to be issued in installments by the Board of Directors when needed. A total of 80 million New Taiwan Dollars among the total capital referred to in the preceding paragraph shall be reserved for the issuance of convertible shares of employee stock options.

All the shares issued by the Company shall be name-bearing and signed or sealed by at least three of the Company's directors. Shares can be issued by the competent authority or the competent authority's approved share-issuing institution after the shares are recorded. The Company may issue shares without printing share certificates, but shall be in custody or registration under centralized securities depository enterprises.

All changes made to the list of shareholders shall be halted sixty days prior to an upcoming annual shareholders' meeting, thirty days prior to a provisional shareholders' meeting, or five days prior to the base date on which the Company issues dividends, bonuses, or other interests.

##### **Chapter 3 Shareholders' Meeting**

Shareholders' meetings of the Company are of two types, namely regular meetings and provisional meetings. Regular meetings shall be convened at least once a year, within six months after the end of each fiscal year. Provisional meetings shall be convened in accordance with relevant laws, rules, and regulations of the Republic of China when necessary.

When the Company holds a shareholders' meeting, it may exercise its voting right in writing or electronically; it shall be executed in accordance with relevant laws and regulations.

If a shareholder is unable to attend the shareholders' meeting, the shareholder may appoint a proxy to attend the meeting, and shall in each instance issue a signed and sealed letter of proxy stating the scope of authorization with respect to the items on the meeting agenda.

In addition to the compliance with Article 177 of the Company Act, after the Company's public offering of shares, the Company shall make arrangements in accordance with the "Regulations

Governing the Use of Proxies for Attendance at Shareholders' Meetings of Public Companies" promulgated by the competent authority.

Shareholders' meetings shall be convened by the Board of Directors and chaired by the Chairman of the Board. When the Chairman of the Board is on leave, the Chairman shall appoint one of the directors to act as the Chair. When the Chairman does not make such designation, the directors shall select from among themselves one person to serve as the Chair. If a shareholders' meeting is held by a convener other than the Board of Directors, the convener shall be the Chair; if there are two or more conveners, only one of them shall be appointed to be the Chair.

The shareholder of the Company is entitled to one vote for each share held unless otherwise stipulated by law.

Unless otherwise stipulated by law, a resolution made at a shareholders' meeting shall be adopted by a majority vote at a meeting attended by shareholders representing half of the total number of shares issued.

The resolutions made in a shareholders' meeting shall be recorded in the minutes and shall be handled in accordance with Article 183 of the Company Act.

After the public offering of the Company's stock, if the Company wants to cancel the public offering, it must be approved by the Board of Directors and approved at a shareholders' meeting.

#### **Chapter 4 Board of Directors' Meeting**

The Board of Directors' meeting shall be convened at least once every quarter.

A notice specifying the reason for convening a Board meeting shall be sent to all directors seven days before the scheduled meeting day; in emergency circumstances, however, a Board meeting may be convened on short notice.

The notice referred to in the preceding paragraph shall be in writing, by email, or by fax.

When the directors of the Company perform the duties on behalf of the Company, whether the Company makes a profit or loss, the Company shall compensate the directors and authorize the Board of Directors to set a compensation standard based on the value of their participation in and contribution to the operation of the Company within the highest standard set in the Company's Procedure for Compensation Management (industry standard).

The Company has established five to nine seats of directors. All directors shall be elected from a nomination system by shareholders among a list of nominees for directors. The directors shall have a term of office of three years and may be re-elected. The Company may purchase liability insurance for directors, within the scope of business during their term of office. Among the above-mentioned directors, the number of independent directors shall not be less than three, shall not be less than one-fifth of the seats of the directors, and shall be elected by shareholders among a list of nominees for independent directors. The professional qualifications, shareholding, the prohibition on positions held at other companies, nomination and selection process, and other matters of the Company's Independent Directors, are processed in compliance with relevant regulations of competent securities authorities.

In compliance with Article 14-4 of the Securities and Exchange Law, the Company shall establish an Audit Committee, which shall consist of at least 3 independent directors. The members of the Audit Committee shall be responsible for those responsibilities of supervisors specified under the Company Law, the Securities and Exchange Law, and other relevant regulations.

At the same time as the establishment of the Audit Committee, the supervisors were abolished, and the provisions of the Articles of Association regarding the supervisors were immediately invalidated.

The directors shall elect from among themselves a chairman of the Board of Directors by a majority vote at a meeting attended by over two-thirds of all the directors. The chairman of the Board of Directors shall carry out all affairs of the Company in accordance with law and regulations and the resolutions of the shareholders' meetings and the Board of Directors' meetings. When the chairman of the Board is on leave or for any reason is unable to exercise the powers of the chairman, one of the directors shall be appointed to act as the chair by the chairperson. When the chairman does not make such appointment, directors shall elect one person from among themselves to serve as the chair.

The Company's business policy and other material issues shall be determined by the Board of Directors. Except for the first Board meeting of every term of the newly elected Board of Directors, which shall be convened pursuant to Article 203 of the Company Law, meetings of the Board of Directors shall be convened by the chairman of the Board of Directors. In the absence of the chairman, one of the attending directors shall be elected as the proxy.

When a meeting of the Board of Directors is held, the directors shall attend the meeting in person; if a director is unable to attend in person, the director may appoint another director as proxy to attend the meeting, and shall in each instance issue a written proxy stating the scope of authorization with respect to the items on the meeting agenda. The proxy can only accept a proxy from one person. Attending via video conferencing is deemed as attending in person. The resolutions of a Board of Directors' meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the chop of the chairman of the meeting. A copy of the minutes shall be distributed to each director within 20 days after the meeting. The minutes shall record the gist of proceedings and its results. The minutes, attendance book, and the power of attorney for deputy attendance shall be kept at the Company.

The Audit Committee is established by the Company in compliance with the law and shall be composed of the entire independent directors.

Powers of office conferred by the Company Act, Securities and Exchange Act, and any other laws to be exercised by supervisors shall be performed by the Audit Committee.

Matters concerning the number, term of office, powers, rules of procedure for meetings, and resources to be provided by the Company when the Audit Committee exercises its powers shall be handled in accordance with the Audit Committee Charter.

## **Chapter 5 Managerial Officers**

The Company shall have several managers. Their appointment, dismissal, and remuneration shall be subject to Article 29 of the Company Act.

## **Chapter 6 Accounting**

After the close of each fiscal year, the following reports shall be compiled by the Board of Directors and submitted to the shareholders for acceptance:

1. Business Report;
2. Financial Statement;
3. Proposal Concerning Appropriation of Earnings or Covering of Losses.

The Company shall set aside 2% to 6% of its annual profits as remuneration to its employees and no more than 3% of its annual profits as remuneration to its directors and supervisors. However, the Company shall have reserved a sufficient amount to offset its accumulated losses before the distribution of remuneration to employees, directors, and supervisors as per the percentage mentioned above.

Employees' remuneration may be distributed in shares or cash, and the recipients may include

employees of its subsidiary companies who meet certain conditions.

Distribution of directors' and supervisors' and employees' remuneration are resolved by a majority vote at a Board of Directors' meeting attended by two-thirds of the total number of directors and shall be reported to the shareholders' meeting.

The above-mentioned directors' and supervisors' remuneration is changed to the directors' remuneration after the Audit Committee was set up.

If there are earnings after the close of the fiscal year, the Company shall distribute the earnings in the following order:

1. Paying the tax.
2. Offsetting losses in previous years.
3. Setting aside a legal capital reserve at 10% of the earnings left over.
4. Other special surplus reserve recognized or reversed in accordance with law and regulations or supervisory authorities
5. After the Company has set aside the capital reserves pursuant to the preceding paragraphs, a distribution motion regarding the earnings left over shall be prepared by the Board of Directors, and submitted to the shareholders for a resolution.

The Company is at the steady growth stage of its business, and for future business expansion plans, the dividend distribution shall not be less than 10% of the remaining profits of the current year. The distribution of earnings shall be made by cash dividend and stock dividend, with cash dividends ranging from 20% to 100% and stock dividends ranging from 0% to 80%.

However, in order to maintain the Company's earnings per share, the impact of stock dividends on the Company's business performance shall be taken into account. If the annual earnings per share of the dividend payment is more than 20% lower than the previous year, a proposal regarding the earning distribution, in which the dividend payout amount and ratio are appropriately adjusted, shall be prepared by the Board of Directors and submitted to the shareholders for a resolution.

## **Chapter 7 Supplementary Provisions**

The internal organization of the Company and the detailed procedures of business operation shall be determined by the Board of Directors.

In regard to all matters not provided in the Articles of Association, the Company Law and the law and regulations of the Republic of China shall govern.

The Articles of Association was enacted on August 30, 1963; the first amendment was made on October 5, 1966; the second amendment was made on September 21, 1968; the third amendment was made on June 14, 1971; the fourth amendment was made on March 15, 1972; the fifth amendment was made on March 25, 1973; the sixth amendment was made on September 27, 1974; the seventh amendment was made on January 11, 1975; the eighth amendment was made on December 16, 1975; the ninth amendment was made on October 20, 1976; the tenth amendment was made on December 15, 1976; the eleventh amendment was made on November 8, 1978; the twelfth amendment was made on September 18, 1979; the thirteenth amendment was made on August 30, 1980; the fourteenth amendment was made on August 20, 1981; the fifteenth amendment was made on September 23, 1981; the sixteenth amendment was made on June 23, 1983; the seventeenth amendment was made on August 20, 1984; the nineteenth amendment was made on June 27, 1985; the twentieth amendment was made on November 1, 1985; the twenty-first amendment was made on May 31, 1986; the twenty-second amendment was made on April 8, 1987; the twenty-third amendment was made on October 9, 1987; the twenty-fourth amendment was made on May 3, 1988; the twenty-fifth amendment was made on June 10, 1989;

the twenty-sixth amendment was made on October 12, 1989; the twenty-seventh amendment was made on April 27, 1990; the twenty-eighth amendment was made on May 16, 1991; the twenty-ninth amendment was made on May 4, 1992; the thirtieth amendment was made on June 1, 1993; the thirty-first amendment was made on June 29, 1994; the thirty-second amendment was made on May 30, 1995; the thirty-third amendment was made on June 20, 2000; the thirty-fourth amendment was made on December 11, 2000; the thirty-fifth amendment was made on June 25, 2002; the thirty-sixth amendment was made on June 27, 2003; the thirty-seventh amendment was made on May 21, 2004; the thirty-eighth amendment was made on May 25, 2004; the thirty-ninth amendment was made on June 28, 2005; the fortieth amendment was made on June 27, 2006; the forty-first amendment was made on July 21, 2006; the forty-second amendment was made on October 23, 2008; the forty-third amendment was made on June 27, 2011; the forty-fourth amendment was made on June 27, 2014; the forty-fifth amendment was made on June 27, 2016; the forty-sixth amendment was made on May 16, 2017; the forty-seventh amendment was made on December 12, 2017.

## Appendix 3: Procedures for Acquisition and Disposal of Assets (Before Amendments)

### **Procedures for Acquisition and Disposal of Assets**

1. Purpose: The Procedures are formulated to ensure all acquisition and disposal of assets are evaluated and approved properly, and the Procedures are formulated pursuant to Article 36-1 of the Taiwan Securities and Exchange Act and Regulations governing acquisition and disposal of assets of the Financial Supervisory Commission (hereinafter referred to as the FSC).

2. Scope:

2.1. Securities: Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interests in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.

2.2. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.

2.3. Membership cards.

2.4. Intangible assets: Patents, copyrights, trademarks, franchise rights, and other intangible assets.

2.5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).

2.6. Derivatives.

2.7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.

2.8. Other major assets.

3. Definition:

3.1. Derivatives: These include forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, and compound contracts combining the aforementioned products whose value is derived from assets, interest rates, foreign exchange rates, indices, or other interests. The forward contracts described above do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (distribution) contracts.

3.2. Assets acquired or disposed of through mergers, demergers, acquisitions, or transfers of shares in accordance with law: This refers to assets acquired or disposed of through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts. This also includes the transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, Paragraph 8 of the Company Act.

3.3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

3.4. Professional appraiser: Refers to a real property appraiser or other persons duly authorized by law to engage in the value appraisal of real property or equipment.

3.5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Boards of Directors' resolutions, or other dates that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier. However, with investments that require the approval of the competent authority, the earliest of the above dates or the date of receipt of approval by the competent authority shall apply.



3.6. Mainland China area investment: Refers to investments in the Mainland China area approved by the Investment Commission, Ministry of Economic Affairs or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

3.7. The 10 percent of total assets stipulated in the Procedures shall be calculated based on the total assets in the Company's most recent individual or individual financial reports. In the case of a company whose shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20 percent of paid-in capital under these Regulations, 10 percent of equity attributable to owners of the parent shall be substituted.

4. Responsibilities: None.

5. Content:

5.1. Any professional appraisers and its appraisal personnel, certified public accountants, lawyers, or securities underwriters whom the Company has acquired appraisal reports and opinions from, shall not be a related party of the Company or the other party of the transaction.

5.2. The acquisition or disposal of assets assessment and the acquisition or disposal of securities, real estate, and equipment of the Company shall be the responsibility of the competent unit of the Company and, if subject to evaluation, in accordance with relevant regulations.

Amount and Authorization for Acquisition and Disposal of Assets:

5.3.1. The acquisition and disposal of securities, real estate, and equipment shall be carried out after the Company's authorized unit filed and signed the approval via the signing/electronic signing system of the Company based on the approval limit. If the acquisition or disposal of the assets is subject to the resolution of the Board of Directors or General Shareholders' Meetings according to the provisions of the Company law or the Securities Exchange Act, the matter shall be handled after the resolution is passed in accordance with the law.

5.3.2. Acquiring securities and non-operating real estate, within the amount specified below, shall be executed by the entity authorized by the chairman of the Board of Directors after the signing approval.

(1) The limit of investment in individual securities of the Company shall not exceed 5 percent of the amount of paid-in capital; the total amount of real estate or marketable securities purchased for non-business use shall not exceed 40% of the paid-in capital.

(2) The amount of investment in individual securities of a subsidiary shall not exceed 5 percent of the amount of capital actually received; the total amount of real estate or securities purchased for non-business use shall not exceed 20% of the actual capital received.

(3) Shares of the Company received from the capital allotment of earnings or reserve of the invested companies shall not be counted as the total amount of investment in this item.

5.4. Reports issued by objective, fair and independent experts shall be obtained based on the types of assets acquired or disposed of in accordance with the following rules:

5.4.1. Except for transactions with government institutions, contracting third parties to construct on land owned or rented by the Company, or acquisition of equipment for operation purpose, for acquisition or disposal of real estate or equipment by the Company whose amount reaches 20% of the Company's paid-in capital or NT\$300 million, an appraisal report issued by a Professional Appraiser shall be obtained prior to the date of the event and the following provisions shall be complied with:

(1) If for any special reason, restricted price, specific price, or special price must be used as a reference for the transaction price, the transaction shall be approved by the Board in advance.

The above procedures shall also be followed in case the transaction terms are changed subsequently.

(2) If the transaction price is over NT\$1 billion, the Company shall retain at least two professional appraisers to perform the appraisal.

(3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation ("ARDF") and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

(a) The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.

(b) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.

(4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and no more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

5.4.2. The Company acquiring or disposing of securities shall, prior to the date of the event, obtain the latest financial statements of the object company audited or reviewed by a certified public accountant for the assessment and reference of the transaction price. Should the transaction price reach 20% of the Company's paid-in capital or NT\$300 million, opinions in respect of a rational transaction price have to be sought from a certified public accountant prior to the Date of the Event. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. These requirements are not applicable if such securities have a public price from an active market or where otherwise provided by regulations of the Taiwan Financial Supervisory Commission.

5.4.3. Except for transactions with government institutions, if the Company's acquisition or disposal of membership or intangible assets reaches 20% of the Company's paid-in capital or NT\$300 million, opinions in respect of a rational transaction price shall be sought from certified public accountant prior to the date of the event. The certified public accountant shall handle the matter in accordance with the provision of Auditing Standard No. 20 published by the ARDF. The calculation of the transaction amounts referred to in 5.4.1-5.4.3. shall be done in accordance with 5.7.1.7. and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

5.4.5 Where the Company acquires or disposes of assets through court auctions, certificates issued by the court may substitute for appraisal reports or CPAs' opinions.

## 5.5. Engage in derivatives trading

### 5.5.1. Trading principles and guidelines

#### 5.5.1.1. Transaction type:

Derivatives that the Company may engage in include forward contract, options, future delivery, interest rate (foreign exchange) exchanges, and a combination of the above-mentioned commodities. If other commodities are required, they should be approved by the Board of Directors before they can be traded.

#### 5.5.1.2. Operation or hedging strategy:

The Company engages in derivative commodity transactions, and for the purpose of hedge operations, shall not engage in trading activities. The choice of trading commodities shall be mainly to avoid risks arising from the Company's business operations. In addition, the choice of trading partners shall be among the bank that has business relationships with the Company to avoid credit risk.

#### 5.5.1.3. Division of powers and responsibilities:

##### (1) Accounting supervisor

Responsible for the management of derivative commodity trading operations, collecting information on derivative commodity markets, determining trends and risks, familiarizing with financial products and operational skills, and proposing recommendations for location and hedging methods in accordance with the Company's policies and authorizations, and submitting them to the competent authority for execution after approval

##### (2) Accounting personnel

Master the Company's overall financial product position, regularly settle the realized and unrealized gain and loss to allow the accounting director to conduct commodity trading operations

(3) Personnel engaged in the transaction of derivative commodities must be authorized by the Board of Directors to be approved by the chairman of the Board of Directors.

#### 5.5.1.4. Performance evaluation:

The derivative commodities traded by the Company are all hedge trading, so the performance evaluation is based on whether the Company operates in accordance with the Company's policies and its hedging plan.

#### 5.5.1.5. Total contractual value of the transaction:

The Company's derivative commodity operation limit is based on the estimated demand for import and export in the next three months, and the total amount of the overall hedging contract shall not exceed 10% of the shareholders' equity in the Company's latest financial report which has been audited and certified by the accountant.

#### 5.5.1.6. The maximum amount of total and individual contract loss:

As the Company is engaged in hedging trading, the transaction has been carried out according to the actual needs of the Company. When all or special contracts have a loss of more than 10% difference, they must be reported to the Chairman and, according to the needs of the operating site and the expected financial market conditions, decide whether to stop the loss and report the decision to the Board of Directors.

### 5.5.2. Operating procedures

#### 5.5.2.1. Authorization limit and level:

(1) The quota of derivative commodity transactions of the Company shall be implemented after authorization by the Board of Directors.

(2) The approval authority of the Company's derivative transactions is as follows:

Level	Authorization limit for each transaction
Financial Management Division, General Manager	US\$1 million
Financial Management Division, Assistant Manager	US\$300,000 to US\$500,000 (inclusive)
Authorized trader	Below US\$300,000 (inclusive)

After each transaction is completed, the internal written approval must be completed at the following management level in accordance with the following amount:

Level	Authorization limit for each
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	transaction
Financial Management Division, General Manager and Assistant Manager	Above US\$300,000 (inclusive)
Financial Management Division, Assistant Manager and Manager	Below US\$300,000 (inclusive)

To enable the Company to have relative management with the financial institutions in contact, if there is any change in the trading personnel and transaction confirmation personnel, the financial institution should be notified immediately, and the financial institutions are also required to continue to enforce the existing provisions of the Company.

#### 5.5.2.2. Execution unit:

The Company's derivative commodity transactions are handled by the accounting director in charge of transaction and management. The accounting personnel shall be responsible for the measurement, supervision, and control of relevant risks, and different personnel shall be responsible for the confirmation and settlement respectively.

#### 5.5.2.3. Transaction process:

- (1) The accounting director places an order with the financial institution according to the approval of the authorized supervisor.
- (2) According to the financial institution's transaction return, after confirming, the financial director must fill in the "Financial Commodity Transaction Order" to be signed and approved by the authorized supervisor to confirm the validity of the transaction.
- (3) When the "Financial Commodity Transaction Order" is used for printing, an approved "Financial Commodity Trading Order" is required.
- (4) When a financial commodity transaction generates profit or loss, the delivery person will make a payment or receipt of the approved "Financial Commodity Transaction Order" and use it as the basis for accounting.
- (5) The accounting director shall remit the "Financial Commodity Transaction Monthly Statement" to the accounting personnel as the basis for accounting valuation.

#### 5.5.3. Accounting treatment:

The Company shall set up complete books and accounting records for derivative commodity transactions. The transactions of different nature shall be handled in accordance with the International Accounting Standards and relevant laws and regulations, and the results shall be able to express and disclose the transaction process and its results.

#### 5.5.4. Risk management measures:

- (1) Credit risk: The trading object is limited to the financial institutions that the Company have contact with.
- (2) Market price risk: The transactions are limited to open interbank foreign exchange transactions. The Company shall control the risk of price changes caused by interest rate, exchange rate changes, or other factors on derivative financial products at any time.
- (3) Cash flow risk: The trading of derivative commodities of the Company is based on the consideration of hedging transaction. In order to control the trading risks, the limitation of the quota of derivative commodities shall be in accordance with 5.5.1.5. and 5.5.1.6.
- (4) Liquidity risk: Any commodity must have two or more financial institutions in the market for two-way bidding, in order to engage in trading.
- (5) Operational risk:

- (a) Must comply with the authorization limit and the operational procedures.
- (b) The functions of dealing, confirmation, and settlement of derivatives trading shall be performed by different personnel.
- (c) Risk assessment, monitoring, and control shall be performed by personnel from divisions other than the above and reported to the Board or senior management that is not in the position of trading or decision-making.
- (d) Confirmation personnel need to check the transaction details and total amount with the bank on a regular basis.
- (e) Traders should always pay attention to whether the total amount of the transaction exceeds the total amount of the contract specified in the Procedures.
- (6) Legal risk: Documents signed with the bank must be reviewed by legal personnel.

#### 5.5.5. Regular evaluation methods and abnormal situation handling:

- (1) Positions held in derivatives trading shall be assessed at least once weekly. For hedging trades held for business needs, the assessment shall be undertaken at least twice monthly. The evaluation report shall be submitted to senior managers authorized by the Board of Directors.
- (2) Monthly, quarterly, semi-annual, and annual settlement of exchange gain and loss on the market price is disclosed in the financial statements and is applied for declaration and announcement in accordance with relevant laws and regulations.

#### 5.5.6. Internal audit:

- (1) The Company's internal audit personnel shall periodically make a determination of the suitability of internal control on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading and prepare an audit report. If any material violation is discovered, members of the audit committee shall be notified in writing.
- (2) The audit report and the implementation of internal control procedures shall be reported to the Financial Supervisory Committee before the end of February in the subsequent year, and rectification of the abnormalities shall be submitted to the FSC for verification before the end of May.

#### 5.5.7. The principles governing the supervision and management of the Board of Directors in the trading of derivatives:

- (1) The Board of Directors shall authorize senior managers to monitor the supervision and control over risks associated with derivative trading at all times, including:
  - (a) Regularly assessing whether the current risk management measures in use are appropriate and comply with the procedures of the Company's derivatives trading.
  - (b) Supervising trading and loss-profit status; when irregular circumstances are found, appropriate measures shall be adopted and a report immediately made to the Board. If the Company has independent directors, an independent director shall be present at the Board meeting and express an opinion.
- (2) Periodic evaluations shall be performed which determine whether the performance of derivative trading is in compliance with established operational strategies and whether risks are within a permitted scope.
- (3) The Company shall submit a report to the Board of Directors after delegating relevant personnel to handle derivatives transaction in accordance with the provisions of the procedures governing the derivatives trading.
- (4) When engaging in derivative transactions, the Company shall establish a memorandum with a detailed record of the type and amount of derivative transactions, date of approval of the Board of Directors, and matters which shall be carefully evaluated in accordance with 5.5.5.(1),

5.5.7.(1)(a), 5.5.7.(2) of the Procedures for future reference.

## 5.6. Procedures for handling merger, demerger, acquisition, or transfer of shares

### 5.6.1. Assessment and operating procedures:

(1) When the Company conducts a merger, demerger, acquisition, or transfer of shares, the Company shall engage a certified public accountant, attorney, or securities underwriter to settle on a timeline and form a project group to carry out the transaction. Prior to convening the Board of Directors to resolve on the matter, the CPAs, attorneys, or securities underwriter shall give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board for resolution. However, where the Company merges the subsidiaries whose issued shares or total capital are wholly owned by itself directly or indirectly, or the subsidiaries whose issued shares or total capital are wholly owned by the Company directly or indirectly are merged together, the Company may be exempted from obtaining the aforementioned opinion on the reasonableness from the expert.

(2) The Company shall prepare a public report detailing important contractual content and matters relevant to the merger, demerger, or acquisition and send a notification prior to the Shareholders' Meeting together with the expert opinion referred to in provision 5.6.1.(1) as reference material regarding whether to approve the merger, demerger, or acquisition. However, where a provision of another act exempts a company from convening a Shareholders' Meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

(3) Where the Shareholders' Meeting of any one of the Companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction under the law, or the proposal is rejected by the Shareholders' Meeting, the Company participating in the merger, demerger, or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next Shareholders' Meeting.

(4) The following information shall be made into a complete written record and kept for five years for verification.

(a) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.

(b) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.

(c) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.

### 5.6.2. Other considerations:

(1) The Board of Directors meeting date: The Company, when participating in a merger, demerger, or acquisition, shall convene a Board meeting and Shareholders' Meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the authority is notified in advance of extraordinary circumstances and grants consent. The Company, when participating in a transfer of shares, shall call a Board meeting on the day of the transaction, unless another act provides otherwise or the authority is notified in advance of extraordinary circumstances and grants consent.

(2) Advanced confidentiality undertaking: Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the

information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

(3) Establishment and amendment policies for share exchange ratio or acquisition price: When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall ask its CPAs, attorneys, or securities underwriters to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders. The Company shall then submit it to the Shareholders' Meeting for approval prior to the Board meetings of both parties. Public companies participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless circumstances permitting alteration are stipulated in the contract for the merger, demerger, acquisition, or transfer of shares. Conditions permitting the arbitration of the share exchange ratio or acquisition price are listed below:

- (a) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities.
- (b) An action, such as a disposal of major assets, that affects the Company's financial operations
- (c) An event, such as a major disaster or major change in technology that affects shareholder equity or share price
- (d) An adjustment where the Company participates in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock in accordance with the law
- (e) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares
- (f) Other terms or conditions that the contract stipulates may be altered and have been publicly disclosed

(4) Matters required to be recorded in the contract:

- (a) Handling of breach of contract.
- (b) Principles for the handling of equity type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
- (c) The amount of treasury stock participating companies is permitted under the law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
- (d) The manner of handling changes in the number of participating entities. companies
- (e) The preliminary progress schedule for plan execution and anticipated completion date.
- (f) The scheduled date for convening a Shareholders' Meeting under applicable laws, rules, and regulations if the plan exceeds the deadline without completion, and relevant procedures.

(5) Change in number of companies participating in the merger, demerger, acquisition, or share transfer: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's Shareholders' Meeting has adopted a resolution authorizing the Board to alter the limits of authority, such participating company may be exempted from calling another Shareholders' Meetings to resolve on the matter anew.

(6) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of 5.6.1.(4) 、 5.6.2.(1)(2)(5)(7) and relevant regulations.

(7) After the shares of the Company are traded or listed in the securities, when participating in the merger, spin-off, acquisition or transfer of shares, the Company shall announce the basic information of personnel and the date of important events as stipulated under the provision 5.6.1.(4)(a)(b) in the Internet Information System according to relevant laws and regulations within two days from the date of the resolution of the Board of Directors.

#### 5.7. Announcement and declaration

##### 5.7.1. The standards for announcement and declaration:

5.7.1.1. Where the Company acquires or disposes of real estate from related parties, or acquires or disposes assets other than real property from related parties, and the transaction amount reaches 20% of the Company's paid-up capital, 10% of the total assets, or more than NT\$300 million. However, this does not apply to the trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.

5.7.1.2. Engagement in a merger, spin off, acquisition or transfer of shares.

5.7.1.3. Engagement in the trading of derivatives with loss reaching the upper limit for aggregate or individual contracts as stipulated in the procedures.

5.7.1.4. Where the type of assets acquired or disposed of is equipment for business use, the trading counter-party is not a related party, and the transaction amount meets any of the following requirements:

(1) For a public company whose paid-in capital is less than NT\$ 10 billion with the trading amount exceeding NT\$ 500 million.

(2) For a public company whose paid-in capital is more than NT\$ 10 billion with the trading amount exceeding NT\$ 1 billion.

5.7.1.5. Where land is acquired under an arrangement for engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is more than NT\$500 million

5.7.1.6. In addition to the aforementioned 5.7.1.1. - 5.7.1.5., asset transactions, financial institutions disposition claims, or engagement in mainland investment, the transaction amount reaches 20% of the Company's paid-in capital or more than NT\$300 million. The following situations are excluded:

(1) Purchase or sale of government bonds.

(2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, subscription by investment professionals of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market, or subscription by a securities firm as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.

(3) Trading of bonds with repurchase or resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

5.7.1.7. The transaction amount mentioned in the above 5.7.1.1. - 5.7.1.6. is calculated as follows, and the alleged one year is based on the date of the fact of the transaction and retroactively calculated for one year; the part announced in accordance with the regulations will be exempted.

(1) Every trading amount.

(2) The cumulative amount of acquisition or disposal of subject matters of the same category from the same counterparty within one year.



- (3) The cumulative amount of acquisition or disposal of real estate of the same development project within one year (the acquisition and disposal amounts shall be accumulated separately).
- (4) The cumulative amount of acquisition or disposal of the same securities within one year (the acquisition and disposal amounts shall be accumulated separately).

5.7.2. Time limit for announcement and declaration:

Where the Company acquires or disposes of assets required by regulations to be publicly announced under the declaration standards, it shall publicly announce and declare the relevant information within 2 days commencing immediately from the date of occurrence of the event.

5.7.3. Announcement and declaration procedures:

5.7.3.1. The Company shall report the relevant information to the designated website of the Financial Supervision Committee for public announcement.

5.7.3.2. The Company shall compile monthly reports on the status of derivatives trading it and its subsidiaries that are not domestic public companies engaged in up to the end of the preceding month by itself, and input into the information reporting website designated by the FSC by the 10th day of each month.

5.7.3.3. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and declared in their entirety within two days from the day of becoming aware of the occurrence.

5.7.3.4. The contracts, meeting minutes, log books, appraisal reports, and opinions of certified public accounts, lawyers or securities underwriters in connection with the Company's acquisition or disposal of assets shall, except as otherwise specified by relevant laws, be kept in the Company for at least five years.

5.7.3.5. After the Company announces and declares trading in accordance with the preceding Article, the Company shall, under any of the following circumstances, announce and declare related information on the website designated by FSC within two days counting inclusively from the date of the occurrence:

- (1) The contract signed in relation to the original trading is changed, terminated, or canceled.
- (2) The merger, spin-off, acquisition, or transfer of shares fails to be completed as scheduled.
- (3) There is change to the originally publicly announced and reported information.

5.8. Procedures for acquiring or disposing of assets from related parties

5.8.1. Regarding acquisition or disposal of assets between the Company and related parties, the related resolution procedures and reasonableness assessment of the transaction, etc. shall be carried out in accordance with the relevant regulations. Where the trading amount exceeds 10 percent of the Company's total assets, the Company shall also obtain appraisal reports produced by professional appraisers or CPA's opinions pursuant to relevant regulations.

The calculation of the transaction amount of the preceding paragraph shall be handled in accordance with the provisions of 5.4.4.

When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

5.8.2. Assessment and operating procedures:

When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money

market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been audited by the Audit Committee and approved by the Board of Directors:

- (1) The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets.
- (2) The reason for choosing the related party as a trading counterparty.
- (3) Information related to the assessment of reasonableness of preliminary trading terms in accordance with 5.8.3. under the Procedures for real estate acquisition from a related party.
- (4) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
- (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing the contract, an evaluation of the necessity of the transaction, and the reasonableness of the fund's utilization.
- (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
- (7) Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with 5.7.1.7., and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Audit Committee and resolved by the Board of Directors need not be counted toward the transaction amount.

With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the Board of Directors may, in accordance with the authorized amount, level, execution unit, and transaction process, authorize the Chairman to ratify the proposal within a certain limit first, and subsequently a proposal will be submitted to the next Board of Directors meeting for approval.

#### 5.8.3. Assessment of the reasonableness of transaction costs:

- (1) The Company shall evaluate the reasonability of the transaction costs by the following means in acquiring real estate from a related party:
  - (a) Based upon the related party's transaction price, necessary interest for funding, and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property. It may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
  - (b) Total loan value appraisal from a financial institution where the Related Party has previously created a mortgage on the property as security for a loan. The actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property, and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a Related Party of one of the trading counterparties.
- (2) Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.
- (3) The Company shall assess the cost of the real estate obtained from the relevant parties in accordance with the provisions of 5.8.3.(1) and 5.8.3.(2), and shall ask the certified public accountant to review the assessment and give specific comments.
- (4) When the Company obtains real estate from a related party, and the evaluation results, according to the provisions of 5.8.3.(1) and 5.8.3.(2), are lower than the transaction price, it shall

be handled in accordance with 5.8.3.(5). Where the Company acquires real estate from a related party and objective evidence, a professional real estate appraisal report, and a CPA's material reasonable opinion can be provided, the provisions of the preceding three paragraphs do not apply.

(a) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:

(1) Where undeveloped land is appraised in accordance with the means in the preceding article and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

(2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property, neighboring, or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.

(3) Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.

(b) Where the Company acquiring real estate from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. The said transaction case in the preceding paragraph is based on the same or adjacent street profile, and the distance from the object of the transaction is less than 500 meters, or its present value is similar. If the said area is similar, the area of the transaction case of other non-parties shall not be less than 50% of the subject matter of the transaction. "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction.

(5) If the Company acquires real estate from the related party, and the evaluation result is lower than the transaction price according to the provisions of 5.8.3.(1) to 5.8.3.(4), the following matters shall be handled.

(a) A special reserve shall be set aside in accordance with Article 41, Paragraph 1 in the Securities Exchange Act based on the difference between the real estate transaction price and the appraised costs. This may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another publicly-listed company, the special reserve shall be set aside pro rata in a proportion in accordance with Article 41, Paragraph 1 in the Securities Exchange Act.

(b) The members of independent directors of the Audit Committee shall comply with Article 218 of the Company Act.

(c) The situation of (a) and (b) of 5.8.3.(5) shall be reported to the Shareholders' Meeting, and the details of the transaction shall be disclosed in the annual report and the prospectus.

Where a special reserve is recognized by the Company in accordance with the preceding paragraph, such reserve may be used upon approvals from FSC and after assets purchased at a premium had recognized losses from decline of market value, been disposed of, been compensated appropriately, or been restored to original status, or there are other pieces of evidence indicating the transaction is not unreasonable.

(6) When the Company acquires real estate from related parties under any of the following circumstances, it shall comply with the provisions of 5.8.2., and 5.8.3.(1) and 5.8.3.(2) shall not apply.

- (a) The related party acquires the real estate through inheritance or as a gift.
  - (b) More than five years have elapsed between the time the related party signed the contract to obtain the real property and the signing date for the current transaction.
  - (c) The real property is acquired through the signing of a joint development contract with the related party or through engaging a Related Party to build real property either on the Company's own land or on leased land.
- (7) When the Company acquires real estate from a related party, if there is other evidence indicating that the transaction is not in line with the business regulations, it shall be subject to the provisions of 5.8.3(5).

#### 5.9. Procedures for managing acquisition or disposal of assets by subsidiaries

5.9.1. If a subsidiary is a domestic public listed company, it shall also stipulate the

“Procedures for Managing Acquisition or Disposal of Assets” in accordance with the relevant provisions of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and submitted to the Shareholders' Meeting after it is approved by the Board of Directors. The same procedures shall apply in the case of amendments.

5.9.2. The Company's subsidiary is not a domestic public listed company, hence, the Company will proceed with the disclosure and report if the subsidiary satisfies the criteria pertaining to the public disclosure items of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

5.9.3. The paid-in capital or total assets of the Company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to the provision 5.7. requiring a public announcement and filing in the event a transaction reaches 20% of paid-in capital or 10% of the total assets.

5.9.4. The Company shall urge the subsidiaries of the Company to stipulate the procedures for acquiring or disposing of the assets and submit them to the Audit Committee or the supervisors and the Board of Directors in accordance with relevant regulations, and implemented after the resolution at the Shareholders' Meeting. Information relating to any acquisition or disposal of assets by the subsidiaries shall be provided regularly to the Company for inspection.

5.10. Penalty: When the acquisition or disposal of assets by the Company's employees breach the Procedures herein, the Company will report and evaluate the persons involved according to the Company's Principles of Human Resources Management and the Policies of Employee Operations. Punitive actions may be taken based on the materiality of the offense.

#### 5.11. Implementation and amendments

5.11.1. The Procedures and any amendment hereto shall be approved by more than one half of all Audit Committee Members and then be submitted to the Board of Directors meeting for resolution; after it is passed by the Board of Directors, it would be sent to the Shareholders' Meeting for final approval.

5.11.2. Where the position of an independent director has been created in accordance with the Securities Exchange Act, when the procedures for the acquisition and disposal of assets are submitted for discussion by the Board of Directors pursuant to 5.11.1, 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.

5.11.3. Where the Company has set up an Audit Committee according to the Securities Exchange Act, the establishment or amendment to the Procedures for Acquisition and Disposal of Assets shall be approved by more than half of all Audit Committee Members and then be submitted to the Board of Directors for resolution.

If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, such asset transaction could be approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the Minutes of the Board of Directors' Meeting.

5.11.4. Items not dealt with in the Procedures will proceed in compliance with relevant legal regulations.

6. Related Appendix:

6.1. Financial commodity trading list

6.2. Monthly report on financial commodity transactions

7. Reference Document: None.

8. Amendment Records:

8.1. Edition 1.0 issued on January 5, 2009

8.2. Edition 1.1 amended and approved by the Board of Directors on May 18, 2010

8.3. Edition 1.2 amended and approved by the Board of Directors on March 22, 2011

8.4. Edition 1.3 amended and approved by the Board of Directors on May 16, 2014

8.5. Edition 2.0 amended and approved by the Board of Directors on May 18, 2016, and implemented after the approval of the resolutions of the Shareholders' Meeting on June 27, 2016.

8.6. Edition 2.1 amended and approved by the Board of Directors on April 5, 2017, and implemented after the approval of the resolutions of the Shareholders' Meeting on April 27, 2017.

8.7. Edition 2.2 amended and approved by the Board of Directors on October 17, 2017, and implemented after the approval of the resolutions of the Shareholders' Meeting on December 12, 2017.

## Appendix 4: Procedures for Loans of Capital and Making Endorsements and Providing Guarantees (Before Amendments)

### **Procedures for Loans of Capital and Making Endorsements and Providing Guarantees**

1. Purpose: The Procedures are formulated to comply with the requirements of the relevant laws and regulations and to ensure that the Company's fund lending and endorsement/guarantee operations are followed. The Procedures are established in accordance with the "Guidelines for Lending of Capital, Endorsements, and Guarantees by Public Companies" issued by the Financial Supervisory Commission.

2. Scope: Where the Company lends funds to others and endorses for others, the procedures for capital loan and endorsement shall be handled in accordance with the provisions of the Procedures.

3. Definition: None.

4. Responsibilities:

4.1. Accounting unit: Responsible for the implementation and management of the Procedure.

4.2. Legal unit: Responsible for the assessment of legal conformity at the time of execution of the Procedure.

4.3. Board of Directors: Responsible for the approval of proposals in line with the Procedure.

5. Content:

5.1. Funding loans to others

5.1.1. Loans and objects:

(1) The Company shall not loan funds to any of its shareholders or any other person except under the following circumstances:

(a) Where an inter-company or inter-firm business transaction calls for a loan arrangement.

(b) Where an inter-company or inter-firm short-term financing facility is necessary. The term "short-term" as used in the preceding paragraph is a time period of one year of the Company's operating cycle.

(2) The restriction in 5.1.1(1)(b) shall not apply to inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares. But the term of such inter-company loans of funds shall be subject to 5.1.5.

5.1.2. The aggregate amount of loans and the maximum amount permitted to a single borrower:

(1) The total amount of the Company's fund loans and others is limited to 40% of the Company's most recent account audited by the accountant or the net value of the financial statements.

(a) The Company's capital loan and the company or line number with business contacts, the limit of individual objects shall not exceed the maximum of the total purchase or sales volume between the two parties in the most recent year, but the maximum amount shall not exceed the capital loan and total amount.

(b) The Company's capital loan and the individual loans lent to a company or business with short-term financial need shall not exceed 10% of the net worth of the Company.

(2) The Company shall directly, and indirectly, hold 100% of the voting shares of the foreign subsidiaries engaged in capital loans, and the limits of the total amount of funds and individual objects shall not exceed the net value of the loans and enterprises.

5.1.3. Handling unit

Unless otherwise stipulated, the accounting unit shall be responsible for the operation of the

loan.

#### 5.1.4. Decision and Authorization Level

(1) Any lending of the Company's funds shall be evaluated with and subject to the Procedures, and then submitted, together with the result of the evaluation made as described in the 5.1.7. to the Board of Directors for its approval, and no delegation shall be made to any person in this regard.

(2) When fund lending is contemplated between the Company and its parent company or when fund lending to subsidiaries is contemplated by the Company, an approval from the Board of Directors shall be obtained, and the Chairman shall be authorized to handle the matter within the specified amount of fund lending to the same party approved by the Board of Directors, and the lending is authorized in installment or revolver within one year. "Specific amount" as referred to above shall mean that the authorized amount of loans by the Company to an individual entity shall not exceed 10% of the Company's net value in their most recent financial statement except loans as specified in 5.1.2(2).

#### 5.1.5. Duration of loans

The term of each loan shall not exceed one year. Where the Company engages in the loan of funds with its foreign subsidiaries that the Company, directly and indirectly, holds 100% of the voting shares, the term of the loan may be extended to three years.

#### 5.1.6. Calculation of interest

(1) The Company's capital loan interest is calculated on a monthly basis.

(2) The interest rate for the loan of funds shall be calculated based on the Bank of Taiwan benchmark interest rate on January 1 of the year of the capital loan.

(3) If the source of capital for the loan and lending company is a financial institution, the interest rate shall not be lower than the lending rate of the financial institution.

#### 5.1.7. Scrutinizing procedures:

(1) The necessity of and reasonableness of extending loans to others.

(2) Borrower credit status and risk assessment.

(3) Impact on the Company's business operations, financial condition, and shareholders' equity.

(4) Whether collateral must be obtained and appraisal of the value thereof.

#### 5.1.8. Loan procedures

(1) Application:

Any borrower, when applying for a loan from the Company, shall submit an application or a letter describing in detail the requested loan amount, term, and purpose.

(2) Credit investigation:

(a) The first-time borrower shall provide basic information and financial data to the Company to facilitate the evaluation and credit investigation by the Company.

(b) Credit investigation shall be conducted once every year for all borrowers or once every six months according to actual needs for material cases.

(c) If the borrower is in good financial position and its annual financial statement for funding has been approved by a certified public accountant, the Company can refer to the audit report approved by the accountant without conducting credit investigation annually.

(d) Credit investigation is not required for affiliated companies or subsidiaries that the Company has substantial control of.

(3) Loan approval:

(a) After the credit investigation or assessment, if the credit assessment of the borrower is poor, or the loan is not intended to be lent due to the improper purpose of the loan, the head of the accounting unit shall provide a response to the borrower as soon as possible after the verification regarding the reasons for refusal.

(b) After the credit investigation or assessment, if the credit assessment of the borrower is good and the loan, properly, the legal unit shall fill in the credit report and opinions. The accounting unit prepares the audit report and the conditions for the loan, and submits it to the chairman for approval level by level and then submits it to the Board of Directors for resolution.

(4) Contract signing and identity verification:

(a) The loan contract is prepared by the legal unit.

(b) After the loan and the joint guarantor sign the contract on the loan, the legal entity shall go through the formalities of the guarantee.

(5) Settlement of collateral rights:

(a) The settlement of collateral rights shall be performed by the legal unit.

(b) If the borrower provides collateral, they shall set the pledge or mortgage rights to ensure the Company's claims.

(c) A collateral is exempted from subsidiaries or the affiliated companies that have substantial control over the Company.

(6) Insurance:

(a) The insured operation shall be performed by the general affairs unit.

(b) Except for land and securities, the Company shall purchase fire insurance for a collateral, and all risk insurance shall be purchased for vehicles. The amount of insurance shall not be less than the value of a collateral. The insurance policy shall specify that the Company is the beneficiary.

(7) Billing:

Upon completion of each loan and other procedures, the Company shall submit relative information to the accounting unit for record in the necessary account books.

(8) Appropriation:

After the relevant procedures are completed according to the loan contract, the funds can be allocated.

5.1.9.

When the borrower settles the loan before or when the loan expires, the unpaid interest is paid together with the principal.

5.1.10. Obliteration of mortgage or pledge

When the borrower applies for the obliteration of the mortgage or pledge, the responsible unit shall find out whether the principal and interest of the loan have been fully settled before approval of the application for the obliteration of the mortgage or pledge.

5.1.11. Subsequent control measures for loans, registration, and custody of overdue claims procedures

(1) The Company shall prepare a memorandum book for its fund-lending activities and truthfully record the borrower, amount, date of approval by the Board of Directors, fund lending date, and matters to be carefully evaluated according to the Procedures.

(2) Should a borrower no longer satisfy the criteria set forth in the relevant regulations and/or the Procedures or there be any excess over the lending limit due to unexpected changes of the Company, a corrective plan has to be provided to the Audit Committee and the Board of Directors, and the proposed corrective actions shall be implemented within the period specified in such plan.

(3) After appropriating a loan, the responsible employees shall always pay attention to the



financial condition, business, and credit of the borrower and the guarantor. If a collateral is provided, the responsible employees shall be aware of any changes in the value of the collateral. In case of significant changes, the responsible employees shall report to the Chairman immediately and act according to his instructions.

#### Endorsement guarantee

##### 5.2.1. Endorsement/guarantee refers to the following matters

- (1) Financing endorsements/guarantees, including:
  - (a) Bill discount financing.
  - (b) Endorsements/guarantees for another company for their financial needs.
  - (c) Endorsements/guarantees to the notes issued by the Company to non-financial institutions and entities for the Company's own financing needs
- (2) Endorsements/guarantees of customs duties due from the Company or other companies.
- (3) Other endorsements/guarantees that are not classified as prior two types.
- (4) The lien or mortgage provided by the Company against its assets and properties for guaranteeing another company's loan shall also follow the Procedure.

##### 5.2.2. Endorsement guarantee object

- (1) The Company may make endorsements/guarantees for the following companies:
  - (a) A company that has business dealings with the Company.
  - (b) A company in which the Company directly, and indirectly, holds more than 50% of the voting shares.
  - (c) A company that directly and indirectly holds more than 50 percent of the voting shares of the Company.

An endorsement may be given to a company in which the Company directly, and indirectly, holds more than 90% of the voting shares, but the total amount of endorsement guaranteed by the Company shall not exceed 10% of the net value of the Company, and shall be implemented after submitted to the Board of Directors for resolution. However, those foreign companies that directly and indirectly hold 100% shares of the voting rights for endorsements do not apply.

- (3) Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/guarantees for their jointly invested companies in proportion to their shareholding percentages, such endorsements/guarantees may be made free of the restriction of the preceding paragraphs.

##### 5.2.3. Endorsement guarantee limit

- (1) The total amount of endorsement of the Company is limited to 70% of the net value of the Company's most recent financial statement that has been audited by the accountant. The total amount of endorsements guaranteed by the Company and its subsidiaries shall be limited to 70% of the net value of the company's most recent financial statements.

The amount guaranteed by the Company to a single enterprise shall not exceed 20% of the said net value of the Company. The amount guaranteed by the Company and its subsidiaries to a single enterprise shall not exceed 20% of the said net value of the Company.

- (3) If the endorsement is guaranteed by the business relationship, the amount of endorsement shall not exceed the total amount of transactions with the Company in the most recent year (the number of goods purchased or sold between the two parties, whichever is higher). The net worth is as reported in the latest Financial Statement audited by the accountants.

##### (4) Endorsement/guarantee fee collection method

- (a) Where an endorsement may be given to a subsidiary in which the Company directly, and

indirectly, holds 100% of the voting shares, a handling fee of 0.1% of the endorsement amount is to be charged; subsidiaries that are not 100% owned will be charged a handling fee of 0.5% based on the endorsement amount.

(b) If the guarantee letter of credit is opened by the Company through the bank, an additional 1% of the guarantee fee charged by the bank shall be charged to the guaranteed company.

(c) Any guarantee by the Company in the status of common quota shall be excluded from the above (a) and (b) specifications.

(5) The authorized decision of the chairman shall not exceed 10% of the net value of the Company's most recent financial statements.

#### 5.2.4. Decision and Authorization Level

(1) Before the endorsement, the Company shall carefully assess whether it meets the requirements of the Guidelines for Lending of Capital, Endorsements, and Guarantees by Public Companies and the Procedures. The assessment and the evaluation results of 5.2.5.(2) shall be reported to the Board of Directors for resolution. If the Company deems it necessary, the Board of Directors may authorize the chairman to make a decision within the limit set by 5.2.3.(5), and then report it to the Board of Directors for ratification, or execute in accordance with provision 5.2.4.(2) of the Procedures.

(2) Where an endorsement may be given to a subsidiary in which the Company directly, and indirectly, holds 90% or more of the voting share, the endorsement shall be handled in accordance with 5.2.2.(2) and executed after the approval of the resolution of the Board of Directors; however, subsidiaries that are 100% owned by the Company are not subject to this limit.

(3) Where the Company needs to exceed the limits set out in the Procedures to satisfy its business requirements, and where the conditions set out in the Procedures are complied with, it shall obtain approval from the Board of Directors, and half or more of the 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 Procedures accordingly and submit the same to the Shareholders' Meeting for ratification after the fact. 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.

(4) If the aggregate amount of endorsements/guarantees that is set as the ceiling for the Company and its subsidiaries as a whole reach 50% or more of the net worth of the Company, an explanation of the necessity and reasonableness thereof shall be given at the Shareholders' Meeting.

(5) If the endorsement object of the Company is a subsidiary whose net value is less than one-half of the paid-in capital, the subsidiary shall provide the follow-up control actions and measures required by law, which shall be reviewed by the relevant units.

#### 5.2.5. Procedures for handling endorsement/guarantee

(1) When the guaranteed company requires an endorsement, it shall prepare an application specifying the purpose and the total amount of the endorsement.

(2) The accounting unit shall first review the necessity and rationality of the endorsement guarantee. The main points of the review are as follows:

(a) Credit status and risk assessment of the entity for which the endorsement/guarantee is made.

(b) Impact on the Company's business operations, financial condition, and shareholders' equity.

(c) Whether collateral must be obtained and appraisal of the value thereof.

(d) No credit investigation is required for subsidiaries or related enterprises that have substantial control over the Company.

(3) The accounting unit will submit the review opinion together with the request letter to the

chairman for approval and report it to the Board of Directors for resolution.

(4) A 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 and may be used to seal or issue negotiable instruments only in prescribed procedures.

(5) The accounting unit of the Company shall establish a memorandum, which shall record the objects of endorsement guarantee, the amount, the date of approval by the Board of Directors or the decision of the chairman, the date of endorsement guarantee, the conditions and date for releasing the liability of endorsement guarantee, and the matters that shall be carefully evaluated in accordance with the provisions of paragraph 1 of the preceding article for detailed reference.

#### 5.2.6. Cancellation of endorsement notes

(1) At any time, the accounting unit shall note the cancellation of a promissory note in the "Endorsement Memorandum Book" to reduce the accumulated endorsement amount.

(2) When the bill is renewed, the financial institution often requires the endorsement of the new bill before the old bill is returned. Under this circumstance, the Financial Division shall follow up in collecting and canceling old bills as soon as possible.

#### 5.2.7. Subsequent control measures for the amount of endorsement guaranteed

When a change of circumstances results in the party to whom the Company provided endorsements and guarantees fails to meet the Procedures or has amount exceeding the limit, improvement plans shall be established and submitted to the Audit Committee, and the improvement shall be completed according to the schedule.

### 5.3. Information disclosure procedures

#### 5.3.1. Declaration and announcement according to law

(1) The Company shall, before the tenth day of each month, make a public announcement on the website designated by the Financial Supervision Commission to declare the balance of capital loans and/or endorsements guaranteed by the Company and its subsidiaries in the previous month.

(2) The Company whose lending of funds reaches one of the following levels shall announce and declare such an event within two days commencing immediately from the date of occurrence:

(a) The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statements.

(b) The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statements.

(c) The amount of new lending of funds by the Company or its subsidiaries reach NT\$10 million or more and reaches 2 percent or more of the Company's net worth as stated in its latest financial statements.

(3) When the endorsement balance of the Company reaches the following standards, it shall, in accordance with the prescribed format by nature, publish the relevant information on the designated website of the Financial Supervisory Commission within two days from the date of the fact:

(a) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statements.

(b) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statements.

(c) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise 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 enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statements.

(d) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more and reaches 5 percent or more of the Company's net worth as stated in its latest financial statements.

(4) The Company shall announce and report on behalf of any subsidiary thereof that is not a public offering company of the Republic of China any matters that such a subsidiary is required to announce and declare pursuant to the preceding 3 paragraphs.

(5) The ratio of the balance of capital loan and guarantee of endorsement to the net value of the subsidiary as referred to in the preceding paragraph shall be calculated based on the ratio of the balance of the capital loan and/or endorsement guarantee of the subsidiary to the net value of the Company.

“Date of occurrence” in the Procedures means the date of contract signing, date of payment, dates of boards of directors' resolutions, or other dates that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

#### 5.4. Management of subsidiaries

##### 5.4.1. Procedures for controlling subsidiaries

(1) If the subsidiary of the Company intends to lend funds to others or endorsement guarantors, it shall also stipulate the method of loan lending and endorsement guarantee; however, the net value is based on the net value of the subsidiary.

(2) Subsidiaries shall report to the Company the amount, object, and term of the fund loan of endorsements/guarantees for the previous month before the fifth day of each month. The handling of the fund loan and endorsements/guarantees of the Company and its subsidiaries in the previous year and related matters shall be reported to the Shareholders' Meeting for future reference.

#### 5.5. Supplementary provisions

5.5.1. If the limit of capital loan and endorsements/guarantees is different from the actual currency, the exchange rate shall be subject to the average purchase and sell rate of the bank of Taiwan at the close of the day when the accounting unit evaluates the capital loan and endorsements/guarantees.

5.5.2. The internal auditor of the Company shall at least quarterly audit the procedures for lending funds to other parties and its execution status, and prepare written record accordingly. If a material violation is found, they shall immediately notify the Audit Committee in writing.

5.5.3. Any manager or organizer of the Company who violates the Regulations shall be assessed in accordance with the Company's work rules and shall be punished according to the seriousness of the circumstances.

5.5.4. Matters that the Procedures fail to cover shall be conducted according to relative laws and regulations and relative regulations of the Company. If the competent authority announces amendments to the Procedures for Loans of Capital and Making Endorsements and Providing Guarantees, the Company shall act according to the new regulations.

5.5.5. After the establishment of the independent directors of the Company, the Board of Directors shall fully consider the opinions of the independent directors when discussing the fund loan and endorsement/ guarantee procedures and related matters, and the specific opinions and reasons for his/her consent or objection shall be listed in the records of the Board of Directors' meetings.

5.6. The Procedures and any amendment hereto shall be submitted for approval by at least half of all members of the Audit Committee and the Board of Directors before submitting to the Shareholders' Meetings for approval.

5.7 The Company shall assess or recognize the contingent loss of the fund loan and endorsements/guarantees, and provide an adequate allowance for bad debts or loss, and properly disclose relevant information in the financial statements, and provide relevant information to the certified public accountant for necessary verification procedures.

6. Related attachment:

6.1. Capital loan and memorandum book

6.2. Endorsement memorandum book

7. Amendment record:

7.1. Edition 1.0 issued on January 15, 2009

7.2. Edition 1.1 amended and approved by the Board of Directors on May 18, 2010

7.3. Edition 1.2 amended and approved by the Board of Directors on March 18, 2011

7.4. Edition 1.3 amended and approved by the Board of Directors on May 29, 2012 and by Shareholders' Meeting on June 26, 2012, and by Shareholders' Meetings on June 26, 2012.

7.5. Edition 1.4 amended and approved by the Board of Directors on August 21, 2012

7.6. Edition 1.5 amended and approved by the Board of Directors on December 24, 2013

7.7. Edition 1.6 amended and approved by the Board of Directors on May 16, 2014

7.8. Edition 1.7 amended and approved by the Board of Directors on March 25, 2015

7.9. Edition 1.8 amended and approved by the Board of Directors on May 13, 2015

7.10. Edition 1.9 amended and approved by the Board of Directors on August 18, 2015

7.11. Edition 2.0 amended and approved by the Board of Directors on May 18, 2016, and implemented after the approval of the resolution of the Shareholders' Meeting on June 27, 2016.

7.12. Edition 2.1 amended and approved by the Board of Directors on April 5, 2017, and implemented after the approval of the resolution of the Shareholders' Meeting on May 16, 2017.

7.13. Edition 2.2 amended and approved by the Board of Directors on October 17, 2017, and implemented after the approval of the resolution of the Shareholders' Meetings on December 12, 2017

## Appendix 5: Shareholdings of All Directors

### Nan Pao Resins Chemical Co., Ltd Shareholdings of All Directors

Record date : Apr.16, 2019

Title	Name	Elective Date	Held shares when elected		Current held shares	
			Shares	%	Shares	%
Chairman	Wu, Cheng-Hsien	106.05.16	455,456	0.44%	448,308	0.37%
Director	Guang Rong Investment Ltd. Representative : Hsu, Ming-Hsien	106.05.16	8,644,248	8.35%	8,868,132	7.36%
Director	Guang Rong Investment Ltd. Representative : Liu, Chi-Lin					
Director	Guang Rong Investment Ltd. Representative : Chang, Kuo-Jung					
Director	Pou Chien Chemical Co., Ltd	106.05.16	20,789,459	20.09%	21,205,248	17.59%
Independent director	Chen, Yun	106.12.12	0	0.00%	0	0.00%
Independent director	Chiang, Yung-Cheng	106.12.12	0	0.00%	0	0.00%
Independent director	Lee, Yi-His	106.12.12	0	0.00%	0	0.00%
Total			29,889,163		30,521,688	

Note :

1. Total outstanding shares on May 16th, 2017: 103,490,961 shares ;

Total outstanding shares on Dec. 12th , 2017: 108,620,780 shares ;

Total outstanding shares on Apr. 16th, 2019: 120,570,780 shares °

2. The minimum required combined shareholding of all directors by law: 8,000,000 shares (The shares held by independent directors shall not be counted in the calculation of director and supervisor shareholdings.) ,

The combined shareholding of all directors by Apr. 16th, 2019: 30,521,688 shares

3.The Company has the Audit Committee, therefore it's not applicable on shareholding of all supervisors by law.