

Share Code: 1711



**Everlight
Chemical**

**Handbook for the
2019 General Shareholders' Meeting
Everlight Chemical Industrial Corporation**

Time: May 30, 2019

Location: 3F., No. 260, Sec. 2, Bade Rd.,
Da'an Dist., Taipei City 106,
Taiwan (R.O.C.)
Central Pictures Bade Building

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Everlight Chemical Industrial Corporation

Meeting Procedure of 2019 General Shareholders' Meeting

1. Call the Meeting to Order
2. Chairperson Takes Chair
3. Management Presentation
4. Proposals
5. Discussion
6. Ad Hoc Motions
7. Adjournment

Everlight Chemical Industrial Corporation

Meeting Agenda of 2019 General Shareholders' Meeting

Time: 9:00 AM, May 30, 2019

Location: 3F., No. 260, Sec. 2, Bade Rd., Da'an Dist., Taipei City 106, Taiwan (Central Pictures Bade Building)

1. Management Presentation

- (1) The Company's 2018 Business Report
- (2) The Company's Audit Committee's Review Report on the 2018 Business
- (3) The Company's 2018 Remuneration to Employees and Directors Report
- (4) The Company's 2018 Reinvestment Report

2. Proposals

- (1) The Company's 2018 Business Report and Financial Statements are presented for acknowledgment.
- (2) The Company's 2018 Motion of Earnings Distribution is presented for acknowledgment.

3. Discussion

- (1) The Company's Motion of Amendments to Procedures for Acquisition or Disposal of Assets is presented for discussion.
- (2) The Company's Motion of Amendments to Regulations Governing Derivatives Transactions is presented for discussion.
- (3) The Company's Motion of Amendments to Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees is presented for discussion.
- (4) The Company's Motion of Amendments to Articles of Incorporation is presented for discussion.

4. Ad Hoc Motions

5. Adjournment

Management Presentation

Management Presentation

1. The Company's 2018 Business Report

(1) Implementation results of operating plan

The Company's consolidated operating revenue in 2018 was TWD 9,621,019,000, which was a increase of 5%; in terms of operating income, the consolidated net income after tax was TWD 407,920,000, and EPS was TWD 0.73, which were increases of 10% respectively.

(2) Budget execution status

Unit: NTD thousand

Account	Plan for the whole year	Actual amount	Achievement rate
Operating revenue	10,300,000	9,621,019	93%
Operating cost	8,030,000	7,455,801	93%
Operating gross profit	2,270,000	2,165,218	95%
Operating expense	1,680,000	1,657,754	99%
Operating profit	590,000	507,464	86%
Net income before tax	600,000	519,544	87%

(3) Analysis on revenue and expense and profitability

Unit: NTD thousand

Item		2018	2017	
Financial income and expense	Operating revenue	9,621,019	9,169,480	
	Operating cost	7,455,801	7,199,208	
	Operating gross profit	2,165,218	1,970,272	
	Operating expense	1,657,754	1,607,853	
	Operating profit	507,464	362,419	
	Net non-operating revenue	12,080	109,973	
	Net income before tax	519,544	472,392	
	Income tax expense	111,624	102,148	
	Net income after tax	407,920	370,244	
	EPS (TWD)	0.73	0.67	
Profitability Analysis	ROA	3.5%	3.1%	
	ROE	5.1%	4.6%	
	Percentage of paid-in capital	Operating profit	9.3%	6.6%
		Pre-tax income	9.5%	8.6%
	Profit margin	4.2%	4.0%	
EPS (TWD)	0.73	0.67		

(4) R&D status

Developing high-tech, high value-added chemical products and continuously improving ecological benefits are our R&D goals. R&D expense in 2018 was about TWD 430,000,000, which accounted for 4.5% of operating revenue. The specific results of R&D are as follows:

1) Intellectual property right:

In 2018, there were 3 patents granted. As of Feb. 2019, the accumulated patent number was 162.

2) New product R&D results of each business:

In 2018, the completed items of new products developed by each business are: 33 items of color chemicals, 5 items of specialty chemicals, 2 items of pharmaceuticals, 13 items of electronic chemicals and 9 items of toner, which are 62 items in total.

(5) Future Corporate Development Strategies

Everlight Chemical's 2020 Green Gold Vision is to "become a global happy company that will continue to innovate and provide green chemical solutions", and focus on four major aspects: sustainable environmental protection, innovative value, integrity and happiness, and global partners for development. We strive to provide a better life for human beings and implement the brand promise of "Better Chemistry Better Life".

Chairman: Chen, Chien-Hsin



Manager: Chen, Wei-Wang



Accounting supervisor: Wong, Guo-Bin



Management Presentation

2. The Company's Audit Committee's Review Report on the 2018 Business

Audit Committee's Review Report, Everlight Chemical Industrial Corporation

The Board of Directors have prepared the Company's 2018 Business Report, financial reports and the Motion of Earnings Distribution, etc., among which the financial reports have been audited by CPAs of KPMG, Fion Chen and Chun-Hsiu Kuang, who have also prepared the audit reports. After the above Business Report, financial reports and the Motion of Earnings Distribution have been audited, the Audit Committee does not regard them as inappropriate and thus submits the report as above in accordance with the Securities and Exchange Act and Company Act.

Yours sincerely

To

The Company's 2019 General Shareholders' Meeting

Convener of Audit Committee, Wu, Chung-Fern



March 28, 2019

Management Presentation

3. The Company's 2018 Remuneration to Employees and Directors Report

(1) According to Article 27 of the Company's Articles of Incorporation, if the Company has profits in the current year, it shall appropriate 5% as employee remuneration and no more than 2% as director remuneration. However, when the Company still has accumulated losses, the amount for compensation should be retained in advance.

The parties whose remuneration is paid with stocks or cash defined in the preceding paragraph include the employees of the subordinate companies that are reported to and passed by the Board of Directors.

(2) The Company plans to appropriate 5% of profit as the remuneration to employees, totaling NT\$ 26,554,340, 2% of profit as remuneration to directors (excluding independent directors) totaling NT\$ 10,621,736, which are both distributed in cash.

(3) The counterparties to be distributed with employee remuneration are those who have been on position before (and during) 2018 and are still on position on the day when the board passes the Motion of Earnings Distribution.

Management Presentation

4. The Company's 2018 Reinvestment Report

- (1) 25,000 shares of Formosa Laboratories, Inc. were disposed, totaling NT\$ 1,600,000. The accumulated shareholding was 1,975,000 shares.
- (2) General Plastic Industrial Co., Ltd. conducted capital increase by cash. The Company acquired its 2,140,000 shares with NT\$ 74,900,000, which accounted for 1.68% of the company's shareholding.
- (3) Report on Indirect Investment in Mainland China.
- (4) The amount that the Company indirectly invested in Mainland China totaled US\$ 25,440,000 (equivalent to NT\$ 781,300,000), which accounted for 14.3% of the Company's paid-in capital of 5.48 billion.

Proposals

Proposals

Motion 1

Proposal of the Board of Directors

Subject: The Company's 2018 Business Report and Financial Statements are presented for acknowledgment.

Explanation: 1. The Company's 2018 Business Report and the Consolidated Financial Statements and Individual Financial Statements audited by CPAs of KPMG, Ya-Lin Chen and Chun-Hsiu Kuang have been submitted to the Audit Committee for auditing and were deemed as satisfying the relevant requirements of the Company Act. Please provide acknowledgment.

2. For the above-mentioned business report, please refer to p.3~4 of this handbook; for the Audit Committee's Review Report, please refer to p.5 of the handbook; for financial statements, please refer to p.9~24 of the handbook.

Resolutions:

Independent Auditors' Report

To the Board of Directors of Everlight Chemical Industrial Corporation:

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

Please refer to Note 4(n) “Revenue” for accounting policy and Note 6(r) to the consolidated financial statements for the disclosure of revenue recognition .

Description of key audit matters

The Group is a listed company in related to public interest, and the investors are highly expecting the financial performance, resulting in revenue recognition is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our major audit procedures included testing of the design and implement of controls over sales and collection of receivable transactions; evaluate if there is any significant abnormal changes through performing trend analysis on top 10 customers by comparing the related changes or differences; assessing and testing if the management obtained sufficient external evidence showing that the controls rewards of ownership have been transferred to the customers, to support the timing of revenue recognition; evaluating the adequacy of revenue recognition by testing the sale transactions during the period before and after the balance sheet date.

2. Valuation of accounts receivable

Please refer to Note 4(f) “Financial Instruments” for accounting policy, Note 5(a) for accounting assumption, judgments and estimation uncertainty of accounts receivable and Note 6(c) for the disclosure of the valuation of accounts receivable to the consolidated financial statements.

Description of key audit matters

Given the challenging economic climate, the risk of receivables recovery remains high, resulting in significant judgment being applied in the management's assessment of the recoverability of accounts receivable. Consequently, this is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our major audit procedures included testing the adequacy of the formula of the calculation for the expected loss rate; testing the adequacy of aging report by tracing to related vouchers; evaluating the appropriateness of loss allowance and expected credit loss by testing if the loss allowance was made by expected loss rate; assessing if the evaluation document of loss allowance for accounts receivable was compliance with the Group's accounting policy; evaluating the adequacy of the disclosure of loss allowance for accounts receivable prepared by management.

Other Matter

Everlight Chemical Industrial Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion.

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

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

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

Those charged with governance (including the Audit committee) are responsible for overseeing the Group's financial reporting process.

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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ya-Ling Chen and Chun-Hsiu Kuang.

KPMG

Taipei, Taiwan (Republic of China)

March 28, 2019

Notes to Readers

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(expressed in thousands New Taiwan dollars)

Assets	December 31, 2018		December 31, 2017			Liabilities and Equity	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:				
1100 Cash and cash equivalents	\$ 838,593	6	947,185	7	2100	Short-term borrowings	\$ 2,589,403	19	2,063,876	15
1110 Financial assets at fair value through profit or loss-current	13,556	-	-	-	2322	Long-term borrowings, current portion	185,000	1	60,000	-
1150 Notes receivable, net	333,665	2	274,904	2	2150	Notes payable	190,752	1	238,797	2
1170 Accounts receivable, net	1,470,253	11	1,532,710	11	2170	Accounts payable	438,743	3	400,002	3
130X Inventories	3,757,724	27	3,392,199	25	2209	Other payable	494,878	4	512,701	4
1476 Other current financial assets	29,031	-	17,143	-	2213	Payables on equipment	38,697	-	56,920	1
1479 Other current assets	<u>134,967</u>	<u>1</u>	<u>137,506</u>	<u>1</u>	2230	Current tax liabilities	77,128	1	42,102	-
Total current assets	<u>6,577,789</u>	<u>47</u>	<u>6,301,647</u>	<u>46</u>	2399	Other current liabilities	<u>56,345</u>	<u>-</u>	<u>40,582</u>	<u>-</u>
Non-current assets:						Total current liabilities	<u>4,070,946</u>	<u>29</u>	<u>3,414,980</u>	<u>25</u>
1517 Financial assets at fair value through other comprehensive income-non-current	1,035,709	8	-	-	2540	Non-current liabilities:				
1523 Available-for-sale financial assets-non-current	-	-	1,038,813	7	2570	Long-term borrowings	1,538,988	11	1,913,228	14
1543 Financial measured assets at cost-non-current	-	-	89,200	1	2640	Deferred tax liabilities	68,933	1	55,064	1
1550 Investments accounted for using equity method	135,803	1	143,035	1		Net defined benefit liabilities	<u>265,963</u>	<u>2</u>	<u>304,568</u>	<u>1</u>
1600 Property, plant and equipment	5,754,565	42	5,789,476	42		Total non-current liabilities	<u>1,873,884</u>	<u>14</u>	<u>2,272,860</u>	<u>16</u>
1780 Intangible assets	131,270	1	119,020	1		Total liabilities	<u>5,944,830</u>	<u>43</u>	<u>5,687,840</u>	<u>41</u>
1840 Deferred tax assets	119,722	1	103,989	1	3100	Equity attributable to owners of parent:				
1915 Prepayments for equipment	55,724	-	93,632	1	3200	Common shares	5,477,522	40	5,477,522	40
1980 Other non-current financial assets	4,762	-	5,480	-	3300	Capital surplus	473,558	3	473,558	3
1985 Long-term prepaid rents	22,439	-	23,524	-	3400	Retained earnings	1,797,826	13	1,673,952	12
1990 Other non-current assets	<u>20,243</u>	<u>-</u>	<u>16,802</u>	<u>-</u>		Other equity	<u>(149,767)</u>	<u>(1)</u>	<u>99,054</u>	<u>2</u>
Total non-current assets	<u>7,280,237</u>	<u>53</u>	<u>7,422,971</u>	<u>54</u>	36XX	Total equity attributable to owners of parent:	<u>7,599,139</u>	<u>55</u>	<u>7,724,086</u>	<u>57</u>
						Non-controlling interests	<u>314,057</u>	<u>2</u>	<u>312,692</u>	<u>2</u>
						Total equity	<u>7,913,196</u>	<u>57</u>	<u>8,036,778</u>	<u>59</u>
Total assets	<u>\$ 13,858,026</u>	<u>100</u>	<u>13,724,618</u>	<u>100</u>		Total liabilities and equity	<u>\$ 13,858,026</u>	<u>100</u>	<u>13,724,618</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan dollars except for earnings per share)

	2018		2017	
	Amount	%	Amount	%
4000 Operating revenues	\$ 9,621,019	100	9,169,480	100
5000 Operating costs	7,455,801	78	7,199,208	79
5950 Gross profit from operations	2,165,218	22	1,970,272	21
6000 Operating expenses:				
6100 Selling expenses	857,874	9	853,830	9
6200 Administrative expenses	350,388	4	347,459	4
6300 Research and development expenses	430,979	4	406,564	4
6450 Expected credit loss	18,513	-	-	-
Total operating expenses	1,657,754	17	1,607,853	17
6900 Net operating income	507,464	5	362,419	4
7000 Non-operating income and expenses:				
7010 Other income	48,639	-	64,797	1
7020 Other gains and losses	61,576	1	131,954	1
7050 Finance costs	(90,824)	(1)	(71,690)	(1)
7060 Share of losses of associates accounted for using equity method	(7,311)	-	(15,088)	-
Total non-operating income and expense	12,080	-	109,973	1
7900 Income before income tax	519,544	5	472,392	5
7950 Income tax expense	111,624	1	102,148	1
8200 Net income	407,920	4	370,244	4
8300 Other comprehensive income (loss):				
8310 Items that may not be reclassified subsequently to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	(11,898)	-	17,566	-
Unrealized losses from financial assets measured at fair value				
8316 through other comprehensive income	(250,930)	(3)	-	-
Income tax related to items that may not be reclassified				
8349 subsequently to profit or loss	7,305	-	(2,986)	-
Total items that may not be reclassified subsequently to profit or loss	(255,523)	(3)	14,580	-
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(8,752)	-	(37,777)	-
8362 Unrealized losses on available-for-sale financial assets	-	-	(5,291)	-
8370 Share of other comprehensive income of associates accounted for using equity method	440	-	(1,102)	-
8399 Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
Total items that may be reclassified subsequently to profit or loss	(8,312)	-	(44,170)	-
8300 Other comprehensive income (after tax)	(263,835)	(3)	(29,590)	-
8500 Total comprehensive income	\$ 144,085	1	340,654	4
Profit attributable to:				
8610 Owners of parent	\$ 401,983	4	366,138	4
8620 Non-controlling interests	5,937	-	4,106	-
	\$ 407,920	4	370,244	4
Comprehensive income attributable to:				
8710 Owners of parent	\$ 138,502	1	344,353	4
8720 Non-controlling interests	5,583	-	(3,699)	-
	\$ 144,085	1	340,654	4
9750 Basic earnings per share (expressed in New Taiwan dollars)	\$ 0.73		0.67	
9850 Diluted earnings per share (expressed in New Taiwan dollars)	\$ 0.73		0.67	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of parent														
	Retained earnings						Other equity						Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total					
Balance on January 1, 2017	\$ 5,477,522	473,558	914,935	43,346	613,619	1,571,900	(26,120)	-	161,548	135,428	7,658,408	321,727	7,980,135		
Net income	-	-	-	-	366,138	366,138	-	-	-	-	366,138	4,106	370,244		
Other comprehensive income	-	-	-	-	14,589	14,589	(31,083)	-	(5,291)	(36,374)	(21,785)	(7,805)	(29,590)		
Total comprehensive income	-	-	-	-	380,727	380,727	(31,083)	-	(5,291)	(36,374)	344,353	(3,699)	340,654		
Appropriation and distribution of retained earnings:															
Legal reserve	-	-	46,853	-	(46,853)	-	-	-	-	-	-	-	-		
Cash dividends	-	-	-	-	(273,876)	(273,876)	-	-	-	-	(273,876)	(5,626)	(279,502)		
Changes in ownership interests in subsidiaries	-	-	-	-	(4,799)	(4,799)	-	-	-	-	(4,799)	290	(4,509)		
Balance on December 31, 2017	5,477,522	473,558	961,788	43,346	668,818	1,673,952	(57,203)	-	156,257	99,054	7,724,086	312,692	8,036,778		
Effects of retrospective application	-	-	-	-	-	-	-	166,684	(156,257)	10,427	10,427	-	10,427		
Balance on January 1, 2018 after adjustments	5,477,522	473,558	961,788	43,346	668,818	1,673,952	(57,203)	166,684	-	109,481	7,734,513	312,692	8,047,205		
Net income	-	-	-	-	401,983	401,983	-	-	-	-	401,983	5,937	407,920		
Other comprehensive income	-	-	-	-	(4,600)	(4,600)	(11,217)	(247,664)	-	(258,881)	(263,481)	(354)	(263,835)		
Total comprehensive income	-	-	-	-	397,383	397,383	(11,217)	(247,664)	-	(258,881)	138,502	5,583	144,085		
Appropriation and distribution of retained earnings:															
Legal reserve	-	-	36,614	-	(36,614)	-	-	-	-	-	-	-	-		
Cash dividends	-	-	-	-	(273,876)	(273,876)	-	-	-	-	(273,876)	(4,218)	(278,094)		
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	367	367	-	(367)	-	(367)	-	-	-		
Balance on December 31, 2018	\$ 5,477,522	473,558	998,402	43,346	756,078	1,797,826	(68,420)	(81,347)	-	(149,767)	7,599,139	314,057	7,913,196		

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2018 and 2017
(expressed in thousands of New Taiwan dollars)

	2018	2017
Cash flows from operating activities:		
Income before income tax	\$ 519,544	472,392
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	625,014	593,812
Amortization expense	15,056	10,765
Expected credit loss / Provision for bad allowance of impairment	18,513	32,897
Net gains on financial assets at fair value through profit and loss	(70)	(23)
Interest expense	90,824	71,690
Interest income	(4,865)	(5,085)
Dividend income	(43,774)	(59,712)
Share of losses of associates accounted for using equity method	7,311	15,088
Gains on disposal of property, plants and equipment	(250)	(15,500)
Gains on disposal of available-for-sale financial assets	-	(68,962)
Gains on remeasurement of financial assets measured at cost	-	(4,853)
Total adjustments to reconcile profit	<u>707,759</u>	<u>570,117</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(59,130)	(711)
Accounts receivable and overdue receivable (under other non-current financial assets)	43,196	(83,314)
Inventories	(382,439)	(14,619)
Other current financial assets	(10,531)	41,178
Other current assets	2,717	24,514
Total changes in operating assets	<u>(406,187)</u>	<u>(32,952)</u>
Changes in operating liabilities:		
Notes payable	(48,017)	11,968
Accounts payable	47,299	(11,891)
Other payable	(22,711)	(2,246)
Other current liabilities	15,923	9,712
Net defined benefit liability	(50,502)	(22,780)
Total changes in operating liabilities	<u>(58,008)</u>	<u>(15,237)</u>
Total changes in operating assets and liabilities	<u>(464,195)</u>	<u>(48,189)</u>
Total adjustments	<u>243,564</u>	<u>521,928</u>
Cash inflow generated from operations	763,108	994,320
Interest received	4,851	5,095
Dividends received	43,774	59,712
Income taxes paid	(63,978)	(119,439)
Net cash flows from operating activities	<u>747,755</u>	<u>939,688</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss	(131,500)	(93,500)
Proceeds from disposal of financial assets at fair value through profit or loss	118,014	93,523
Proceeds from disposal of available-for-sale financial assets	-	94,584
Acquisition of financial assets at fair value through other comprehensive income	(149,800)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,602	-
Acquisition of investments accounted for using equity method	-	(45,000)
Acquisition of property, plants and equipment	(611,435)	(753,814)
Proceeds from disposal of property, plants and equipment	2,441	31,444
Acquisition of intangible assets	(26,696)	(96,616)
Decrease (increase) in other non-current financial assets	816	(833)
Increase in other non-current assets	(3,265)	(7,337)
Decrease in prepayments for equipment	30,677	5,830
Net cash flows used in investing activities	<u>(769,146)</u>	<u>(771,719)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	7,801,071	6,424,754
Decrease in short-term borrowings	(7,268,236)	(6,918,593)
Proceeds from long-term borrowings	150,000	1,500,000
Repayments of long-term borrowings	(400,000)	(828,540)
Cash dividends paid	(273,876)	(273,876)
Interest paid	(97,870)	(78,903)
Subsidiaries distributed cash dividends to non-controlling interests	(4,218)	(5,626)
Increase in non-controlling interests	(354)	(7,515)
Net cash used in financing activities	<u>(93,483)</u>	<u>(188,299)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>6,282</u>	<u>(13,623)</u>
Net decrease in cash and cash equivalents	<u>(108,592)</u>	<u>(33,953)</u>
Cash and cash equivalents at beginning of period	<u>947,185</u>	<u>981,138</u>
Cash and cash equivalents at end of period	<u>\$ 838,593</u>	<u>947,185</u>

See accompanying notes to consolidated financial statements.

Independent Auditors' Report

To the Board of Directors of Everlight Chemical Industrial Corporation:

Opinion

We have audited the financial statements of Everlight Chemical Industrial Corporation (“the Company”), which comprise the balance sheets as of December 31, 2018 and 2017, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to Note 4(n) “Revenue” for accounting policy and Note 6(q) to the parent-company-only financial statements for the disclosure of revenue recognition.

Description of key audit matters

The Company is a listed company in related to public interest, and the investors are highly expecting the financial performance, resulting in revenue recognition is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our major audit procedures included testing of the design and implement of controls over sales and collection of receivable transactions; evaluate if there is any significant abnormal changes through performing trend analysis on top 10 customers by comparing the related changes or differences; assessing and testing if the management obtained sufficient external evidence showing that the

controls of ownership have been transferred to the customers, to support the timing of revenue recognition; evaluating the adequacy of revenue recognition by testing the sale transactions during the period before and after the balance sheet date.

2. Valuation of accounts receivable

Please refer to Note 4(f) “Financial Instruments” for accounting policy, Note 5(a) for accounting assumptions, judgements and estimation uncertainty of accounts receivable and Note 6(c) for the disclosure of the valuation of accounts receivable to the parent-company-only-financial statements.

Description of key audit matters

Given the challenging economic climate, the risk of receivables recovery remains high, resulting in significant judgment being applied in the management's assessment of the recoverability of accounts receivable. Consequently, this is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our major audit procedures included testing the adequacy of the formula of the calculation for expected loss rate; testing the adequacy of aging report by tracing to related vouchers; evaluating the appropriateness of loss allowance and expected credit loss by testing if the loss allowance was made by expected loss rate; assessing if the evaluation document of loss allowance for accounts receivable was compliance with the Company's accounting policy; evaluating the adequacy of the disclosure of loss allowance for accounts receivable prepared by management.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ya-Ling Chen and Chun-Hsiu Kuang.

KPMG

Taipei, Taiwan (Republic of China)

March 28, 2019

Notes to Readers

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

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Balance Sheets

December 31, 2018 and 2017

(expressed in thousands New Taiwan dollars)

Assets	December 31, 2018		December 31, 2017			Liabilities and Equity	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:				
1100 Cash and cash equivalents	\$ 511,695	4	522,068	4	2100	Short-term borrowings	\$ 1,793,260	14	1,374,847	11
1150 Notes receivable, net	97,850	1	83,221	1	2322	Long-term borrowings, current portion	140,000	1	10,000	-
1170 Accounts receivable, net	755,738	6	811,808	6	2150	Notes payable	190,752	2	236,636	2
1180 Accounts receivable due from related parties, net	539,577	4	584,980	5	2170	Accounts payable	348,899	3	295,664	3
1210 Other receivables due from related parties	5,980	-	3,890	-	2209	Other payable	388,187	3	398,972	3
130X Inventories	2,650,802	22	2,312,487	19	2213	Payables on equipment	31,293	-	39,134	-
1476 Other current financial assets	25,195	-	13,963	-	2230	Current tax liabilities	70,143	1	36,164	-
1479 Other current assets	91,394	1	86,732	1	2399	Other current liabilities	41,536	-	30,849	-
Total current assets	4,678,231	38	4,419,149	36		Total current liabilities	3,004,070	24	2,422,266	19
Non-current assets:						Non-current liabilities:				
1517 Financial assets at fair value through other comprehensive income-non-current	967,368	8	-	-	2540	Long-term borrowings	1,458,988	12	1,788,228	15
1523 Available-for-sale financial assets-non-current	-	-	1,038,813	8	2640	Deferred tax liabilities	68,788	1	54,327	-
1543 Financial measured assets at cost-non-current	-	-	77,800	1		Net defined benefit liabilities	252,279	2	291,059	2
1550 Investments accounted for using equity method	1,926,939	15	1,987,342	16		Total non-current liabilities	1,780,055	15	2,133,614	17
1600 Property, plant and equipment	4,532,783	37	4,469,701	36		Total liabilities	4,784,125	39	4,555,880	36
1780 Intangible assets	120,734	1	116,119	1	3100	Equity:				
1840 Deferred tax assets	111,257	1	94,967	1	3200	Common shares	5,477,522	44	5,477,522	45
1915 Prepayments for equipment	43,100	-	73,670	1	3300	Capital surplus	473,558	4	473,558	4
1980 Other non-current financial assets	2,852	-	2,405	-	3400	Retained earnings	1,797,826	14	1,673,952	14
						Other equity	(149,767)	(1)	99,054	1
Total non-current assets	7,705,033	62	7,860,817	64		Total equity	7,599,139	61	7,724,086	64
Total assets	\$ 12,383,264	100	12,279,966	100		Total liabilities and equity	\$ 12,383,264	100	12,279,966	100

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan dollars except for earnings per share)

	2018		2017	
	Amount	%	Amount	%
4000 Operating revenues	\$ 7,405,726	100	6,833,550	100
5000 Operating costs	5,899,062	80	5,530,529	81
5900 Gross profit from operations	1,506,664	20	1,303,021	19
5910 Less: unrealized loss (profit) from sales	10,702	-	(8,467)	-
5950 Net gross profit from operations	1,495,962	20	1,311,488	19
6000 Operating expenses:				
6100 Selling expenses	533,369	7	515,589	8
6200 Administrative expenses	165,201	2	168,269	2
6300 Research and development expenses	357,431	5	341,777	5
6450 Expected credit loss	12,514	-	-	-
Total operating expenses	1,068,515	14	1,025,635	15
6900 Net operating income	427,447	6	285,853	4
7000 Non-operating income and expenses:				
7010 Other income	44,683	1	62,041	1
7020 Other gains and losses	66,812	1	102,018	2
7050 Finance costs	(60,234)	(1)	(46,204)	(1)
7060 Share of profit of subsidiaries and associates accounted for using equity method	15,203	-	30,730	-
Total non-operating income and expense	66,464	1	148,585	2
7900 Income before income tax	493,911	7	434,438	6
7950 Income tax expense	91,928	1	68,300	1
Net income	401,983	6	366,138	5
8300 Other comprehensive income (loss):				
8310 Items that may not be reclassified subsequently to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	(11,557)	-	17,612	-
8316 Unrealized losses from financial assets measured at fair value through other comprehensive income	(231,112)	(3)	-	-
8330 Share of other comprehensive income of subsidiaries, accounted for using equity method	(16,527)	(1)	(29)	-
8349 Income tax related to items that may not be reclassified subsequently to profit or loss	6,932	-	(2,994)	-
Total items that may not be reclassified subsequently to profit or loss	(252,264)	(4)	14,589	-
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(11,657)	-	(29,981)	-
8362 Unrealized losses on available-for-sale financial assets	-	-	(5,291)	-
8380 Share of other comprehensive income of associates accounted for using equity method	440	-	(1,102)	-
8399 Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
Total items that may be reclassified subsequently to profit or loss	(11,217)	-	(36,374)	-
8300 Other comprehensive income (after tax)	(263,481)	(4)	(21,785)	-
8500 Total comprehensive income	\$ 138,502	2	344,353	5
9750 Basic earnings per share (expressed in New Taiwan dollars)	\$ 0.73		0.67	
9850 Diluted earnings per share (expressed in New Taiwan dollars)	\$ 0.73		0.67	

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan dollars)

	Retained earnings						Other equity					
	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		Unrealized gains (losses) on available-for-sale financial assets	Total	Total equity
Balance on January 1, 2017	\$ 5,477,522	473,558	914,935	43,346	613,619	1,571,900	(26,120)	-	161,548	135,428	7,658,408	
Net income	-	-	-	-	366,138	366,138	-	-	-	-	366,138	
Other comprehensive income	-	-	-	-	14,589	14,589	(31,083)	-	(5,291)	(36,374)	(21,785)	
Total comprehensive income	-	-	-	-	380,727	380,727	(31,083)	-	(5,291)	(36,374)	344,353	
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	46,853	-	(46,853)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(273,876)	(273,876)	-	-	-	-	(273,876)	
Changes in ownership interests in subsidiaries	-	-	-	-	(4,799)	(4,799)	-	-	-	-	(4,799)	
Balance on December 31, 2017	5,477,522	473,558	961,788	43,346	668,818	1,673,952	(57,203)	-	156,257	99,054	7,724,086	
Effects of retrospective application	-	-	-	-	-	-	-	166,684	(156,257)	10,427	10,427	
Balance on January 1, 2018 after adjustments	5,477,522	473,558	961,788	43,346	668,818	1,673,952	(57,203)	166,684	-	109,481	7,734,513	
Net income	-	-	-	-	401,983	401,983	-	-	-	-	401,983	
Other comprehensive income	-	-	-	-	(4,600)	(4,600)	(11,217)	(247,664)	-	(258,881)	(263,481)	
Total comprehensive income	-	-	-	-	397,383	397,383	(11,217)	(247,664)	-	(258,881)	138,502	
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	36,614	-	(36,614)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(273,876)	(273,876)	-	-	-	-	(273,876)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	367	367	-	(367)	-	(367)	-	
Balance on December 31, 2018	\$ 5,477,522	473,558	998,402	43,346	756,078	1,797,826	(68,420)	(81,347)	-	(149,767)	7,599,139	

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan dollars)

	2018	2017
Cash flows from operating activities:		
Income before income tax	\$ 493,911	434,438
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	464,502	430,891
Amortization expense	12,035	9,041
Expected credit loss / provision for allowance of impairment	12,514	22,820
Net gains on financial assets at fair value through profit and loss	(14)	(9)
Interest expense	60,234	46,204
Interest income	(1,979)	(2,329)
Dividend income	(42,704)	(59,712)
Share of profit of subsidiaries and associates and accounted for using equity method	(15,203)	(30,730)
Losses (gains) on disposal of property, plants and equipment	(562)	127
Gains on disposal of available-for-sale financial assets	-	(68,962)
Unrealized (realized) gross profit on sale to subsidiaries	10,702	(8,467)
Total adjustments to reconcile profit	499,525	338,874
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(14,629)	380
Accounts receivable and overdue receivable (under other non-current financial assets)	43,108	(74,617)
Accounts receivable due from related parties	45,403	(104,213)
Other receivable due from related parties	(2,090)	(702)
Inventories	(338,315)	(33,318)
Other current financial assets	(11,218)	53,584
Other current assets	(3,902)	23,719
Total changes in operating assets	(281,643)	(135,167)
Changes in operating liabilities:		
Notes payable	(45,884)	12,514
Accounts payable	53,235	4,011
Other payable	(12,199)	4,729
Other current liabilities	10,687	14,881
Net defined benefit liabilities	(50,336)	(17,152)
Total changes in operating liabilities	(44,497)	18,983
Total changes in operating assets and liabilities	(326,140)	(116,184)
Total adjustments	173,385	222,690
Cash inflow generated from operations	667,296	657,128
Interest received	1,965	2,340
Dividends received	81,722	110,028
Income taxes paid	(44,124)	(78,575)
Net cash flows from operating activities	706,859	690,921
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(74,900)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,602	-
Acquisition of financial assets designated at fair value through profit or loss	(118,000)	(80,000)
Proceeds from disposal of financial assets at fair value through profit or loss	118,014	80,009
Proceeds from disposal of available-for-sale financial assets	-	94,584
Acquisition of investments accounted for using equity method	-	(92,000)
Acquisition of property, plant and equipment	(536,361)	(632,090)
Proceeds from disposal of property, plant and equipment	1,498	1,179
Decrease in other receivables due from loans to related parties	-	32,230
Acquisition of intangible assets	(16,650)	(94,278)
Increase in other non-current financial assets	-	(66)
Decrease (increase) in prepayments for equipment	30,570	(2,375)
Net cash flows used in investing activities	(594,227)	(692,807)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	5,982,062	5,193,778
Decrease in short-term borrowings	(5,563,649)	(5,488,375)
Proceeds from long-term borrowings	150,000	1,500,000
Repayments of long-term borrowings	(350,000)	(800,000)
Cash dividends paid	(273,876)	(273,876)
Interest paid	(67,542)	(53,431)
Net cash from (used in) financing activities	(123,005)	78,096
Net increase (decrease) in cash and cash equivalents	(10,373)	76,210
Cash and cash equivalents at beginning of period	522,068	445,858
Cash and cash equivalents at end of period	\$ 511,695	522,068

See accompanying notes to parent-company-only financial statements.

Proposals

Motion 2

Proposal of the Board of Directors

Subject: The Company's 2018 Motion of Earnings Distribution is presented for acknowledgment.

- Explanation:
1. According to Article 28 to 29 of the Company's Articles of Incorporation, after taxes were paid, 10% of the remaining earnings were appropriated as legal reserve, which totaled NT\$ 40,198,287, and distributed as cash dividends to shareholders of NT\$ 273,876,113 (with dividend yield 5%), i.e., NT 500 per thousand shares. The distribution of cash dividends to shareholders are counted to the dollar unit. Amount less than one dollar is omitted. Thus, the distribution of cash dividends is based on the actual distributed amount. If the amount of outstanding shares are affected and dividend yield thus changes in the future due to the Company's share repurchases, the exercise of employees' stock options, or the Company's transfer, transformation and cancellation of treasury shares, the matters of changes are handled by the Chairman under authorization.
 2. The Company's 2018 Motion of Earnings Distribution is based on the earnings balance in the distribution year, insufficient part of the use of accumulated undistributed surplus in previous years, as attached. Please discuss whether it is feasible.

Resolutions:

Everlight Chemical Industrial Corporation
Table of Earnings Distribution
2018

Unit: NTD

Items of distribution	Dollar amount of distribution	
	Subtotal	Total
Undistributed earnings at the beginning of period		358,327,030
Net income before tax for the period	493,910,732	
Less: income tax expense	91,927,859	
Net income after tax for the period		401,982,873
Plus: adjustments to the retained earnings from disposing equity tools evaluated at fair value through other comprehensive income		367,388
Less: changes to the re-evaluated amount of defined-benefit program for the period		4,599,843
Distributable earnings		756,077,448
The appropriated and distributed items for the current year		
Less: recognition of legal reserves	40,198,287	
Recognition of equity subtraction, special reserve	106,420,390	
Distribution of cash dividends - NT\$ 0.5 per share	273,876,113	
Subtotal		420,494,790
Undistributed earnings at the end of period		335,582,658

Chairman: Chen, Chien-Hsin



Manager: Chen, Wei-Wang



Accounting supervisor: Wong, Guo-Bin



Discussion

Discussion

Motion 1

Proposal of the Board of Directors

Subject: The Company's Motion of Amendments to Procedures for Acquisition or Disposal of Assets is presented for discussion.

Explanation: 1. The Procedures were passed by 2017 General Shareholders' Meeting on Jun. 8, 2017.

2. Adhering to the regulations of the amended articles of Jin-Guan-Zheng-Fa-Zi No. 1070341072 on Nov. 26, 2018, the Company plans to amend its "Procedures for Acquisition or Disposal of Assets". The "Corresponding Table of Amended Articles" is as attached. Please discuss whether it is feasible.

Appendix: Corresponding Table of Amended Articles of the Company's Procedures for Acquisition or Disposal of Assets

Resolutions:

Everlight Chemical Industrial Corporation
Corresponding Table of Amended Articles of Procedures for
Acquisition or Disposal of Assets

Article No.	Amended articles	Existing articles	Explanation
2	<p>2.2 Properties (including land, houses and buildings, and real properties for investment purpose) and equipment. <u>2.5 Assets with right of use.</u> 2.6 Derivative products. 2.7 Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with laws. 2.8 Other major assets.</p>	<p>2.2 Properties (including land, houses and buildings, real properties for investment purpose, and <u>right of use of land</u>) and equipment. 2.5 Derivative products. 2.6 Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with laws. 2.7 Other major assets.</p>	<p>Amending in accordance with laws and regulations and adding article numbers</p>
3	<p>3.1 Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a <u>specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.</u> The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, and long-term purchase (sales) contracts. 3.2 Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with laws: refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to the transfer of shares from another company through issuance of new shares of its own as the consideration therefor under <u>Article 156-3</u> of the Company Act.</p>	<p>3.1 Derivative products: defined as financial instruments that derive their value from the performance of <u>underlying assets, interest rates, currency exchange rates, indexes or other targets, which include forwards, options, futures, leverage contracts, swaps, and their combined contracts.</u> The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, and long-term purchase (sales) contracts. 3.2 Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with laws: refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to the transfer of shares from another company through issuance of new shares of its own as the consideration therefor under <u>Article 156, Paragraph 8</u> of the Company Act.</p>	<p>Amended in accordance with laws and regulations</p>

Article No.	Amended articles	Existing articles	Explanation
3	<p><u>3.7 Securities exchange: Domestic securities exchange refers to the Taiwan Stock Exchange Corporation; foreign securities exchange refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</u></p> <p><u>3.8 Over-the-counter venue: Domestic OTC venue refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; foreign OTC venue refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</u></p>		Added in accordance with laws and regulations
3	<p><u>3.9 The professional appraisers and their officers, CPAs, attorneys, and security underwriters who provide the Company with appraisal reports, CPA's opinion reports, attorney's opinion reports or underwriter's opinion reports shall satisfy the following requirements:</u></p> <p><u>3.9.1 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 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></p> <p><u>3.9.2 May not be a related party or de facto related party of any party to the transaction.</u></p> <p><u>3.9.3 If the company is required to obtain appraisal reports from two or more professional appraisers, the different</u></p>	<p><u>3.7 The professional appraisers and their officers, CPAs, attorneys, and security underwriters who provide the Company with appraisal reports, CPA's opinion reports, attorney's opinion reports or underwriter's opinion reports shall not be related parties of any counterparty of the transaction.</u></p>	Amended in accordance with laws and regulations

Article No.	Amended articles	Existing articles	Explanation
	<p><u>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 the above paragraph shall comply with the following matters:</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 it 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 which clarifies 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>		
4	4.1 The “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” published by the Financial Supervisory Commission in Jin-Guan-Zheng-Fa-Zhi No. <u>1070341072 on Nov. 26, 2018.</u>	4.1 The “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” published by the Financial Supervisory Commission in Jin-Guan-Zheng-Fa-Zhi No. <u>1060001296 on Feb. 9, 2017.</u>	Amended in accordance with laws and regulations
5	5.1 Acquisition or disposal of properties, <u>equipment or right-of-use assets</u>	5.1 Acquisition or disposal of properties or equipment	Amended in accordance with

Article No.	Amended articles	Existing articles	Explanation
	<p>5.1.1 Evaluation procedures In acquiring or disposing properties, equipment <u>or right-of-use assets</u>, the Company adheres to its “Rules for Managing Fixed Assets (1-A2-11),” “Regulations for Coding, Impairment, Transaction, and Inventory Operation of Fixed Assets (0-2B-001),” “Provisions for Procurement and Acceptance of Fixed Assets (0-2B-002),” and relevant operating provisions.</p> <p>5.1.2 Transaction conditions and authorization quota (2) The acquisition or disposal of equipment shall be done via either inquiry, competition, negotiation or tender, and shall be approved level by level in accordance with the authorization of “Procedures for Clarifying the Duties for Each Expenditure (9-A8-40)”. The amount limit that shall be passed by the Board of Directors shall be handled in accordance with the provisions of the aforementioned Provision 5.1.2(1). (3) <u>The operation of the acquisition or disposal of properties, equipment or right-of-use assets shall be conducted in accordance with Provision 5.1.2(1)~(2). If the amount is under NT\$100,000,000, the Company shall submit it to the Chairman for approval and report on the latest board meeting afterwards. If the amount reaches more than NT\$300,000,000, the Company shall first propose to the Board of Directors for approval.</u></p> <p>5.1.3 Execution unit When acquiring or disposing properties, <u>equipment or right-of-use assets</u>, the Company shall first present the resolution according to the authority defined in the rules of</p>	<p>5.1.1 Evaluation procedures In acquiring or disposing properties and equipment, the Company adheres to its “Rules for Managing Fixed Assets (1-A2-11),” “Regulations for Coding, Impairment, Transaction, and Inventory Operation of Fixed Assets (0-2B-001),” “Provisions for Procurement and Acceptance of Fixed Assets (0-2B-002),” and relevant operating provisions.</p> <p>5.1.2 Transaction conditions and authorization quota (2) The acquisition or disposal of equipment shall be done via either inquiry, competition, negotiation or tender. <u>The acquisition or disposal of properties</u> shall be approved level by level in accordance with the authorization of “Procedures for Clarifying the Duties for Each Expenditure (9-A8-40)”. The amount limit that shall be <u>proposed to</u> or passed by the Board of Directors shall be handled in accordance with the provisions of the aforementioned Provision 5.1.2(1).</p> <p>5.1.3 Execution unit When acquiring or disposing properties or equipment, the Company shall first present the resolution according to the authority defined in the rules of Provision 5.1.2(2). Then,</p>	<p>laws and regulations</p>

Article No.	Amended articles	Existing articles	Explanation
	<p>Provision 5.1.2. Then, the acquisition or disposal is conducted by the department using the properties or equipment and the competent authority unit.</p> <p>5.1.4 Appraisal report on properties, <u>equipment or right-of-use assets</u> In the acquisition or disposal of properties, <u>equipment or right-of-use assets</u>, except in the cases of transactions with <u>domestic</u> government institutions, (self-owned or leased) land for commissioned construction, or acquisition or disposal of equipment <u>or right-of-use assets</u> for business use, if the transaction amount reaches 20% of the Company's paid-in capital or exceeds NT\$ 300 million, the Company shall obtain an appraisal report issued by professional appraisers before the date of such transaction, and carry out such transaction in accordance with the following provisions:</p> <p>(1) If, due to special circumstances, it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and <u>the same applies</u> if there are <u>subsequent</u> changes to the conditions of the transaction.</p> <p>.....</p>	<p>the acquisition or disposal is conducted by the department using the properties or equipment and the competent authority unit.</p> <p>5.1.4 Appraisal report on properties or equipment In the acquisition or disposal of properties or equipment, except in the cases of transactions with government institutions, (self-owned or leased) land for commissioned construction, or acquisition or disposal of equipment for business use, if the transaction amount reaches 20% of the Company's paid-in capital or exceeds NT\$ 300 million, the Company shall obtain an appraisal report issued by professional appraisers before the date of such transaction, and carry out such transaction in accordance with the following provisions:</p> <p>(1) If, due to special circumstances, it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and <u>the same procedure shall be followed</u> for any <u>future</u> changes to the conditions of the transaction.</p> <p>.....</p>	
5	<p>5.3 Obtaining or disposing <u>intangible assets or right-of-use assets or membership certificates</u></p> <p>5.3.1 Evaluation procedure, transaction conditions and the procedure for authorized quota When obtaining or disposing <u>intangible assets or right-of-use assets or membership certificates</u>, the Company adheres to its "Procedures for Clarifying the Duties for Each Expenditure (9-A8-40)".</p>	<p>5.3 Obtaining or disposing <u>membership certificates or intangible assets</u></p> <p>5.3.1 Evaluation procedure, transaction conditions and the procedure for authorized quota when obtaining or disposing <u>membership certificates or intangible assets</u>, the Company adheres to its "Procedures for Clarifying the Duties for Each Expenditure (9-A8-40)".</p>	Amended in accordance with laws and regulations

Article No.	Amended articles	Existing articles	Explanation
	<p>5.3.2 Execution unit When acquiring or disposing <u>intangible assets or right-of-use assets or membership certificates</u>, the Company shall first present the resolution according to the authority defined in the previous paragraph. Then, the acquisition or disposal is conducted by the department using them or the administrative unit.</p> <p>5.3.3 Experts' evaluation and opinion reports on <u>intangible assets or right-of-use assets or membership certificates</u>. If the transaction amount in acquiring or disposing <u>intangible assets or right-of-use assets or membership certificates</u> reaches 20% of the Company's paid-in capital or more than NT\$300 million, except in the cases of transactions with <u>domestic government institutions</u>, prior to the date of occurrence of the event the Company shall ask a CPA to provide an opinion regarding the reasonableness of the transaction price in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (ARDF).</p>	<p>5.3.2 Execution unit When acquiring or disposing <u>membership certificates or intangible assets</u>, the Company shall first present the resolution according to the authority defined in the previous paragraph. Then, the acquisition or disposal is conducted by the department using them or the administrative unit.</p> <p>5.3.3 Experts' evaluation and opinion reports on <u>membership certificates or intangible assets</u>. If the transaction amount in acquiring or disposing <u>membership certificates or intangible assets</u> reaches 20% of the Company's paid-in capital or more than NT\$300 million, except in the cases of transactions with government institutions, prior to the date of occurrence of the event the Company shall ask a CPA to provide an opinion regarding the reasonableness of the transaction price in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (ARDF).</p>	
5	<p>5.5.2 Evaluation procedure When the Company acquires or disposes <u>properties or right-of-use assets</u> from the related party, or acquires or disposes other assets except for <u>properties or right-of-use assets</u> from the related party and the transaction amount reaches 20% of the Company's paid-in capital, 10% of total assets or more than NT\$ 300 million, except in the cases of domestic government bonds, bonds with repurchase or reverse sell agreements, money market funds issued by domestic securities investment trust enterprises, the Company shall submit the following</p>	<p>5.5.2 Evaluation procedure When the Company acquires or disposes properties from the related party or acquires, or disposes other assets except for properties from the related party and the transaction amount reaches 20% of the Company's paid-in capital, 10% of total assets or more than NT\$ 300 million, except in the cases of government bonds, bonds with repurchase or reverse sell agreements, money market funds issued by domestic securities investment trust enterprises, the Company shall submit the following data to the Audit Committee for agreement, and shall</p>	Amended in accordance with laws and regulations

Article No.	Amended articles	Existing articles	Explanation
	<p>data to the Audit Committee for agreement, and shall not sign the transaction contract and pay until it has been passed by the Board of Directors.</p> <p>.....</p> <p>(3) Related data of evaluating the reasonableness of the expected transaction conditions in accordance with Provision 5.5.3~5.5.4 when acquiring properties <u>or right-of-use assets</u> from related parties.</p> <p>.....</p> <p>If the Company, its subsidiaries, <u>or the subsidiaries that are 100% held directly or indirectly with issued shares or total capital by the Company conduct the following transactions with each other</u>, the Board of Directors may authorize the Chairman to conduct within a given quota in advance in accordance with Provision 5.1.2, and then submit it to the most recent board meeting for recognition:</p> <p><u>a. Acquiring or disposing the equipment or right-of-use assets for business use</u></p> <p><u>b. Acquiring or disposing the properties that are right-of-use assets for business use</u></p> <p>.....</p> <p>5.5.3 When the Company acquires properties <u>or right-of-use assets</u> from the related party, it shall evaluate the reasonableness of the transaction cost with the following methods:</p> <p>.....</p> <p>(2) If the same land and house are bought or leased together, the transaction cost may be evaluated with any of the methods listed in Provision 5.5.3(1) with respect to the land and house respectively.</p> <p>(3) When the Company acquires</p>	<p>not sign the transaction contract and pay until it has been passed by the Board of Directors.</p> <p>.....</p> <p>(3) Related data of evaluating the reasonableness of the expected transaction conditions in accordance with Provision 5.5.3~5.5.4 when acquiring properties from related parties.</p> <p>.....</p> <p>When the Company and its subsidiaries <u>acquire or dispose equipment for business use</u>, the Board of Directors may authorize the Chairman in accordance with Provision 5.1.2 to first resolve on it within a certain quota. Then, the acquisition or disposal shall be reported to the most recent board meeting for recognition.</p> <p>.....</p> <p>5.5.3 When the Company acquires properties from the related party, it shall evaluate the reasonableness of the transaction cost with the following methods:</p> <p>.....</p> <p>(2) If the same land and house are bought together, the transaction cost may be evaluated with any of the methods listed in Provision 5.5.3(1) with respect to the land and house respectively.</p> <p>(3) When the Company acquires</p>	

Article No.	Amended articles	Existing articles	Explanation
	<p>properties <u>or right-of-use assets</u> from the related party, it shall evaluate the cost of the properties <u>or right-of-use assets</u> in accordance with Provision 5.5.3(1) ~ 5.5.3(2), and shall ask a CPA to re-examine and render a specific opinion.</p> <p>(4) When the Company acquires properties <u>or right-of-use assets</u> from the related party, if any of the following conditions occurs, it shall conduct the acquisition in accordance with Provision 5.5.2 and is not applicable to Provision 5.5.3(1) ~ 5.5.3(3):</p> <p>a. The related party acquired the properties <u>or right-of-use assets</u> due to heritage or gifting.</p> <p>b. The time between the date on which the related party signed the contract to obtain the properties <u>or right-of-use assets</u> and the contract date of this transaction has exceeded five years.</p> <p>c.</p> <p><u>d. The Company, its subsidiaries, or the subsidiaries that are 100% held directly or indirectly with issued shares or total capital by the Company obtain the properties that are right-of-use assets for business use from each other.</u></p> <p>5.5.4</p> <p>(1) For the related parties who obtain raw land or rented land before construction, they may provide evidence showing any of the following conditions:</p> <p>.....</p> <p>b. The other floors of the same property or the other <u>transactions</u> of non-related parties in the nearby region within one year have similar area, and the transaction conditions are</p>	<p>properties from the related party, it shall evaluate the cost of the properties in accordance with Provision 5.5.3(1) ~ 5.5.3(2), and shall ask a CPA to re-examine and render a specific opinion.</p> <p>(4) When the Company acquires properties from the related party, if any of the following conditions occurs, it shall conduct the acquisition in accordance with Provision 5.5.2 and is not applicable to Provision 5.5.3(1) ~ 5.5.3(3):</p> <p>a. The related party acquired the property due to heritage or gifting.</p> <p>b. The time between the date on which the related party signed the contract to obtain the property and the contract date of this transaction has exceeded five years.</p> <p>c.</p> <p>5.5.4</p> <p>(1) For the related parties who obtain raw land or rented land before construction, they may provide evidence showing any of the following conditions:</p> <p>.....</p> <p>b. The other floors of the same property or the other <u>deals</u> of non-related parties in the nearby region within one year have similar area, and the transaction conditions are equivalent after</p>	

Article No.	Amended articles	Existing articles	Explanation
	<p>equivalent after the evaluation on the reasonable price discrepancy of floors and regions according to the norm of real property transaction <u>or leasing</u>.</p> <p>(2) The properties purchased <u>or the properties that are right-of-use assets leased</u> by the Company from related parties with evidence have equivalent transaction conditions and area with the <u>transactions</u> of other non-related parties in the nearby regions within one year. The <u>transactions</u> in the nearby region mentioned in (1) and (2) are based on the properties that are located on the same or nearby street and are not more than 500m away from the transaction target, or are based on similar announced current values. The so-called “similar area” refers to when the area of the property in the <u>transaction</u> of other non-related party is not lower than 50% of the area of the transaction target. The so-called “within one year” is counted retrospectively back to the previous one year based on the date of occurrence of the acquisition of the properties <u>or right-of-use assets</u>.</p> <p>5.5.5</p> <p>(1) When the Company acquires a property <u>or right-of-use asset</u> from a related party, if all of the results of evaluations conducted in accordance with Provision 5.5.3~ 5.5.4 is lower than the transaction price, the Company shall conduct the following matters:</p> <p>a. The special reserve shall be</p>	<p>the evaluation on the reasonable price discrepancy of floors and regions according to the norm of real property transaction.</p> <p><u>c. The other deals of non-related parties leasing other floors of the same property within one year have equivalent transaction conditions after the evaluation on the reasonable price discrepancy of floors according to the norm of real property transaction.</u></p> <p>(2) The properties purchased by the Company from related parties with evidence have equivalent transaction conditions and area with the <u>deals</u> of other non-related parties in the nearby regions within one year.</p> <p>The <u>deals</u> in the nearby region mentioned in (1) and (2) are based on the properties that are located on the same or nearby street and are not more than 500m away from the transaction target, or are based on similar announced current values. The so-called “similar area” refers to when the area of the property in the <u>deal</u> of other non-related party is not lower than 50% of the area of the transaction target. The so-called “within one year” is counted retrospectively back to the previous one year based on the date of occurrence of the acquisition.</p> <p>5.5.5</p> <p>(1) When the Company acquires a property from related party, if all of the results of evaluations conducted in accordance with Provision 5.5.3~ 5.5.4 is lower than the transaction price, the Company shall conduct the following matters:</p> <p>a. The special reserve shall be recognized with respect to the</p>	

Article No.	Amended articles	Existing articles	Explanation
	<p>recognized with respect to the price discrepancy between the transaction price of the property <u>or right-of-use asset</u> and the evaluated cost in accordance with Provision 1, Article 41 of the Securities and Exchange Act, and shall not be distributed or transferred to common stocks. If the investor who invests in the Company with the Equity Method is a public listed company, it shall also recognize special reserve with respect to the recognition amount based on the shareholding percentage in accordance with Provision 1, Article 41 of the Securities and Exchange Act.</p> <p>.....</p> <p>(2) When the Company recognizes special reserve in accordance with Provision 5.5.5(1)a., it shall not use the reserve until it has recognized impairment loss or disposed the asset that was bought <u>or leased</u> with a high price, <u>or has terminated the lease contract</u> or has made appropriate compensation or let it recover to its original state, or has other evidence to ensure that there are no unreasonable matters, and has obtained the consent of the Financial Supervisory Commission.</p> <p>(3) When the Company acquires a property or <u>right-of-use asset</u> from related party, if there is other evidence showing that the transaction has matters not meeting the general rules of operation, it shall also conduct the transaction in accordance with Provision 5.5.5(1) ~ 5.5.5(2).</p>	<p>price discrepancy between the transaction price of the property and the evaluated cost in accordance with Provision 1, Article 41 of the Securities and Exchange Act, and shall not be distributed or transferred to common stocks. If the investor who invests in the Company with the Equity Method is a public listed company, it shall also recognize special reserve with respect to the recognition amount based on the shareholding percentage in accordance with Provision 1, Article 41 of the Securities and Exchange Act.</p> <p>.....</p> <p>(2) When the Company recognizes special reserve in accordance with Provision 5.5.5(1)a., it shall not use the reserve until it has recognized impairment loss or disposed the asset that was bought with a high price, or has made appropriate compensation or let it recover to its original state, and has obtained the consent of the Financial Supervisory Commission.</p> <p>(3) When the Company acquires a property from related party, if there is other evidence showing that the transaction has matters not meeting the general rules of operation, it shall also conduct the transaction in accordance with Provision 5.5.5(1) ~ 5.5.5(2).</p>	
5	5.8.1 Items that shall be published and reported and the time limit When acquiring or disposing assets, if	5.8.1 Items that shall be published and reported and the time limit When acquiring or disposing assets, if	Amended in accordance with laws and

Article No.	Amended articles	Existing articles	Explanation
	<p>any of the following conditions occurs, the relevant information shall be published and reported based on its characteristics with the regulated format on the website designated by the Financial Supervisory Commission within two days after the date of occurrence:</p> <p>(1) The assets <u>or right-of-use assets</u> are acquired or disposed from a related party, or the assets are not properties <u>or right-of-use assets</u> acquired or disposed from a related party and the transaction amount reaches 20% of the Company's paid-in capital, 10% of total assets, or more than NT\$ 300 million. However, the buys and sells of <u>domestic</u> government bonds, bonds with repurchase or reverse sell agreements, money market funds issued by domestic securities investment trust enterprises are not restricted to the rule.</p> <p>(2)</p> <p>(3) The loss from engaging in derivative product trading reaches the upper limit of whole or individual contract loss as <u>defined</u> in the formulated procedures.</p> <p>(4) The asset acquired or disposed belongs to the equipment <u>or right-of-use assets</u> for business use, and the counterparty is not a related party. The transaction amount reaches NT\$ 500 million.</p> <p>(5) The properties are acquired with (self-owned or leased) land for commissioned construction, joint construction for splitting, sharing or selling, <u>and the counterparty is not a related party</u>. The transaction amount that the Company expects to devote into reaches NT\$ 500 million.</p> <p>(6) The asset transactions or investments in the Mainland,</p>	<p>any of the following conditions occurs, the relevant information shall be published and reported based on its characteristics with the regulated format on the website designated by the Financial Supervisory Commission within two days after the date of occurrence:</p> <p>(1) The assets are acquired or disposed from a related party, or the assets are not properties acquired or disposed from a related party and the transaction amount reaches 20% of the Company's paid-in capital, 10% of total assets, or more than NT\$ 300 million. However, the buys and sells of government bonds, bonds with repurchase or reverse sell agreements, money market funds issued by domestic securities investment trust enterprises are not restricted to the rule.</p> <p>(2)</p> <p>(3) The loss from engaging in derivative product trading reaches the upper limit of whole or individual contract loss as <u>defined</u> in the formulated procedures.</p> <p>(4) The asset acquired or disposed belongs to the equipment for business use, and the counterparty is not a related party. The transaction amount reaches NT\$ 500 million.</p> <p>(5) The properties are acquired with (self-owned or leased) land for commissioned construction, joint construction for splitting, sharing or selling. The transaction amount that the Company expects to devote into reaches NT\$ 500 million.</p> <p>(6) The asset transactions or investments in the Mainland,</p>	<p>Regulations</p>

Article No.	Amended articles	Existing articles	Explanation
	<p>except as defined in the previous five provisions, have transaction amounts reaching 20% of the Company's paid-in capital or more than NT\$ 300 million. However, the following conditions are not restricted by the rules:</p> <p>a. Buy and sell of <u>domestic</u> government bonds.</p> <p>.....</p> <p>5.8.2 The calculation methods of the transaction amount mentioned in Provision 5.8.1 are as follows:</p> <p>.....</p> <p>(3) The accumulated dollar amount of the properties <u>or right-of-use assets</u> acquired or disposed (respectively) from the same development project within one year.</p> <p>.....</p>	<p>except as defined in the previous five provisions, have transaction amounts reaching 20% of the Company's paid-in capital or more than NT\$ 300 million. However, the following conditions are not restricted by the rules:</p> <p>a. Buy and sell of government bonds.</p> <p>.....</p> <p>5.8.2 The calculation methods of the transaction amount mentioned in Provision 5.8.1 are as follows:</p> <p>.....</p> <p>(3) The accumulated dollar amount of the properties acquired or disposed (respectively) from the same development project within one year.</p> <p>.....</p>	
5	<p>5.9 The total amount that the Company may purchase properties <u>and right-of-use assets</u> not for business use or securities and the amount limit for investing in individual securities:</p> <p>5.9.1 The total amount of the properties <u>and right-of-use assets</u> not for business use shall not exceed 50% of the Company's net worth.</p>	<p>5.9 The total amount that the Company may purchase properties not for business use or securities and the amount limit for investing in individual securities:</p> <p>5.9.1 The total amount of the properties not for business use shall not exceed 50% of the Company's net worth.</p>	Amended in accordance with laws and regulations
5	<p>5.10 The total amount that the Company may purchase properties <u>and right-of-use assets</u> not for business use or securities and the amount limit for investing in individual securities are as follows:</p> <p>5.10.1 The total amount of the properties <u>and right-of-use assets</u> not for business use shall not exceed 50% of the <u>company's</u> net worth.</p>	<p>5.10 The total amount that the Company's subsidiaries may purchase properties not for business use or securities and the amount limit for investing in individual securities are as follows:</p> <p>5.10.1 The total amount of properties not for business use shall not exceed 50% of the Company's net worth.</p>	Amended in accordance with laws and regulations
5	<p>5.11</p> <p>5.11.2 For subsidiaries not belonging to domestically public listed companies, if the acquisition or disposal of assets reaches the publishing and reporting standard defined in the "Regulations Governing the Acquisition and Disposal of Assets by Public</p>	<p>5.11</p> <p>5.11.2 For subsidiaries not belonging to domestically public listed companies, if the acquisition or disposal of assets reaches the publishing and reporting standard defined in the "Regulations Governing the Acquisition and Disposal of Assets by Public</p>	Amended in accordance with laws and regulations

Article No.	Amended articles	Existing articles	Explanation
	<p>Companies,” the Company shall conduct the publishing and reporting on behalf of the subsidiaries.</p> <p>Among the publishing and reporting standard for the subsidiaries in the previous paragraph, the <u>regulations about</u> “the Company’s paid-in capital or total assets” is based on the Company’s paid-in capital or total assets.</p>	<p>Companies,” the Company shall conduct the publishing and reporting on behalf of the subsidiaries.</p> <p>Among the publishing and reporting standard for the subsidiaries as defined in the previous paragraph, the <u>so-called “reaching 20%</u> of the Company’s paid-in capital or <u>10%</u> of total assets” is based on the Company’s paid-in capital or total assets.</p>	
5	<p>5.15 The Procedures were formulated on June 20, 1989;</p> <p>.....</p> <p>The thirteenth amendment was made on Jun. 8, 2017;</p> <p><u>The fourteenth amendment was made on May. 30, 2019.</u></p>	<p>5.15 The Procedures were formulated on June 20, 1989;</p> <p>.....</p> <p>The thirteenth amendment was made on Jun. 8, 2017.</p>	Date of amendment

Discussion

Motion 2

Proposal of the Board of Directors

Subject: The Company's Motion of Amendments to Regulations Governing Derivatives Transactions is presented for discussion.

Explanation: 1. The Procedures were passed by 2015 General Shareholders' Meeting on Jun. 11, 2015.

2. On order to meet business needs and comply with relevant amended laws and regulations, the Company plans to amend its "Regulations Governing Derivatives Transactions". The "Corresponding Table of Amended Articles" is provided in the appendices. Please discuss whether it is feasible.

Appendix: Corresponding Table of Amended Articles of the Company's Regulations Governing Derivatives Transactions

Resolutions:

Everlight Chemical Industrial Corporation
Corresponding Table of Amended Articles of Regulations Governing
Derivatives Transactions

Article No.	Amended articles	Existing articles	Explanation
3	3.1 The “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” amended by the Securities and Futures Bureau, Financial Supervisory Commission in Jin-Guan-Zheng-Fa-Zhi No. <u>1070341072</u> on <u>Nov. 26, 2018</u> .	3.1 The “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” amended by the Securities and Futures Bureau, Financial Supervisory Commission in Jin-Guan-Zheng-Fa-Zhi No. <u>1020053073</u> on <u>Dec. 30, 2013</u> .	Amended in accordance with laws and regulations
4	4.1 Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a <u>specified interest rate, financial instrument price, commodity price</u> , foreign exchange rate, index of <u>prices or rates, credit rating or credit index, or other variable</u> ; or <u>hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives</u> . The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, and long-term purchase (sales) <u>contracts</u> .	4.1 Derivative products: defined as financial instruments that derive their value from the performance of <u>underlying assets, interest rates, currency exchange rates, indexes or other targets</u> , which include forwards, options, futures, leverage contracts, swaps, and <u>their combined contracts</u> . The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, and long-term purchase (sales) <u>contracts</u> .	Amended in accordance with laws and regulations
5	5.1.1 Trading category The scope of the Company’s engagement in derivative product trading is limited to forward contracts using exchange rate and interest rate, option contracts, <u>and swap contracts</u> . If there is need to use the contracts derived from other products, they shall not be implemented until they have passed by the Board of Directors. The Company’s derivative product trading <u>that shall be passed by the Board of Directors</u> shall be agreed by over one half of all members in the Audit Committee, shall be proposed to the Board of Directors for resolution, and shall be conducted in accordance with Provision 5.8.4 ~ 5.8.5.	5.1.1 Trading category The scope of the Company’s engagement in derivative product trading is limited to forward contracts using exchange rate and interest rate and option contracts. If there is need to use the contracts derived from other products, they shall not be implemented until they have passed by the Board of Directors. The Company’s <u>important</u> derivative product trading shall be agreed by over one half of all members in the Audit Committee, shall be proposed to the Board of Directors for resolution, and shall be conducted in accordance with Provision 5.8.4 ~ 5.8.5.	Amended depending on actual operation needs.

Article No.	Amended articles	Existing articles	Explanation
5	5.1.3 Exchange rate policy (3) Other transactions of specific purpose shall be evaluated prudentially and executed <u>in accordance with Provision 5.1.4 (3)b.</u>	5.1.3 Exchange rate policy (3) Other transactions with specific purposes shall <u>not be conducted until</u> they are carefully evaluated, <u>reported to the Board of Directors,</u> and <u>approved.</u>	Amended depending on actual operation needs.
5	5.1.4 Delegation of duties (3) Authorization quota b. Transaction for specific purpose: (b) Other transactions of specific purpose for <u>saving interests, such as Interest Rate Swap (IRS), shall not be conducted until the project has been reported to the Board of Directors for approval; Cross Currency Swap (CCS)</u> shall not be conducted until the project has been reported to the Chairman for approval, and is not restricted by the authorized quota in the above Provision a about hedging transactions.	5.1.4 Delegation of duties (3) Authorization quota b. Transaction for specific purpose: (b) Other transactions conducted for specific purpose but <u>not for foreign exchange needs,</u> such as interest rate hedging, shall not be conducted until the project has been reported to the Chairman and obtained approval. The <u>authorized quota shall be handled as a project</u> and is not restricted by the authorized quota of hedging transactions defined in the above Provision a.	Amended depending on actual operation needs.
5	5.1.6 Total amount of contract (2) Transaction for specific purpose c. The Company's transactions conducted for specific purpose <u>for saving interests (e.g., IRS and CSS)</u> shall be conducted according to the authorized total contract amount of the project, and shall be reported to the latest board meeting.	5.1.6 Total amount of contract (2) Transaction for specific purpose c. The Company's transactions conducted for specific purpose but <u>not for foreign exchange needs</u> (e.g., IRS) shall be conducted according to the authorized total contract amount of the project, and shall be reported to the latest board meeting.	Amended depending on actual operation needs.
5	5.1.7 Upper limit of the loss of trading contract (1) For individual contracts, stop loss points shall be set <u>or the delivery of substantive position shall be prepared</u> according to the market conditions. In principle, the maximum loss amount if each deal is US\$ 50,000. (2) The upper limit of the loss of all contracts shall not exceed US\$ 300,000.	5.1.7 Upper limit of the loss of trading contract (1) For individual contracts, stop loss points shall be set according to the market conditions. In principle, the maximum loss amount if each deal is US\$ 50,000. (2) The upper limit of the loss of all contracts shall not exceed US\$ 300,000.	Amended depending on actual operation needs.

Article No.	Amended articles	Existing articles	Explanation
	<p>(3) <u>For contracts of specific purpose for saving interests, such as Interest Rate Swap (IRS), the project has been reported to the Board of Directors for approval; for CCS, there is no loss risk eventually and is not regulated by the loss limit of contract defined in the above Paragraph (1) and (2).</u></p>		
5	<p>5.9 The Regulations were formulated on June 28, 1996.</p> <p>.....</p> <p>The seventh amendment was made on June 11, 2015; <u>The eighth amendment was made on May 30, 2019.</u></p>	<p>5.9 The Regulations were formulated on June 28, 1996.</p> <p>.....</p> <p>The seventh amendment was made on June 11, 2015.</p>	Date of amendment

Discussion

Motion 3

Proposal of the Board of Directors

Subject: The Company's Motion of Amendments to Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees is presented for discussion.

Explanation: 1. The Procedures were passed by 2015 General Shareholders' Meeting on Jun. 11, 2015.

2. Adhering to the regulations of the amended articles of Jin-Guan-Zheng-Shen-Zi No. 1080304826 on Mar. 7, 2019, the Company plans to amend its "Regulations Governing Loaning of Funds and Making of Endorsements /Guarantees". The "Corresponding Table of Amended Articles" is as attached. Please discuss whether it is feasible.

Appendix: Corresponding Table of Amended Articles of the Company's Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees

Resolutions:

Everlight Chemical Industrial Corporation
Corresponding Table of Amended Articles of Regulations Governing
Loaning of Funds and Making of Endorsements/Guarantees

Article No.	Amended articles	Existing articles	Explanation
3	3.3 The “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” amended and published by the Financial Supervisory Commission (FSC) in Jin-Guan-Zheng-Shen-Zi No. <u>1080304826</u> on <u>Mar. 7, 2019</u> (hereafter, the Regulations)	3.3 The “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” amended and published by the Financial Supervisory Commission (FSC) in Jin-Guan-Zheng-Shen-Zi No. <u>1010029874</u> on <u>Jul. 6, 2012</u> (hereafter, the Regulations)	Amended in accordance with laws and regulations
4	4.5 “Date of occurrence”: the date of occurrence mentioned in the Regulations refers to the signing date of contract, date of payment, date of board resolutions, or other dates that can confirm the counterparty of <u>the lending or endorsement/guarantee</u> and monetary amount of the transaction, whichever date is earlier.	4.5 “Date of occurrence”: the date of occurrence mentioned in the Regulations refers to the signing date of <u>transaction</u> , date of payment, date of board resolutions, or other dates that can confirm the <u>counterparty</u> and monetary amount of the transaction, whichever date is earlier.	Amended in accordance with laws and regulations
5	5.1.1 Counterparty of lending: When the foreign subsidiaries that are held direct or indirectly with 100% of voting shares by the Company conduct fund lending, they are not restricted by Term 2 of Paragraph 1. The limit of fund lending and the term period are formulated in accordance with the regulations governing the lending of funds of each subsidiary. <u>If the responsible person violates Provision 1, he or she and the borrower shall take the returning responsibility together; if the company is harmed, he or she shall also take the liability for damages.</u>	5.1.1 Counterparty of lending: When the foreign subsidiaries that are held direct or indirectly with 100% of voting shares by the Company conduct fund lending, they are not restricted by Term 2 of Paragraph 1. The limit of fund lending and the term period are formulated in accordance with the regulations governing the lending of funds of each subsidiary.	Amended in accordance with laws and regulations
5	5.3.2 The time limit, contents and standards that shall be published and reported: (1) (2) a. b. c. The amount the Company and its subsidiaries provide	5.3.2 The time limit, contents and standards that shall be published and reported: (1) (2) a. b. c. The amount the Company and its subsidiaries provide	Amended in accordance with laws and regulations

Article No.	Amended articles	Existing articles	Explanation
	<p>endorsement/guarantee to a single enterprise reaches more than NT\$ 10 million, and the total amount of the book value of investment of endorsement/guarantee <u>and</u> the Equity Method <u>and the balance of</u> the fund lending reaches more than 30% of the net worth in the Company's most recent financial report.</p> <p>d. (3)</p>	<p>endorsement/guarantee to a single enterprise reaches more than NT\$ 10 million, and the total amount of the investment of endorsement/guarantee <u>and</u> with long-term characteristic and the balance of the fund lending reaches more than 30% of the net worth in the Company's most recent financial report.</p> <p>d. (3)</p>	
5	<p>5.7.2 When the Company proposes a discussion about the Regulations on the board meeting, the opinions of each independent director shall be fully considered. <u>If there are any opposing or retention opinions provided by independent directors, they shall be stated clearly in the board meeting minutes.</u></p>	<p>5.7.2 When the Regulations are proposed to the Board of Directors for discussion, the opinions of each independent director shall be fully considered. <u>The clearly consenting or opposing opinions provided by independent directors shall be stated in the board meeting minutes.</u></p>	Amended in accordance with laws and regulations
5	<p>5.8 The Regulations were formulated on June 8, 1996; The fifth amendment was made on June 11, 2015; <u>The sixth amendment was made on May 30, 2019.</u></p>	<p>5.8 The Regulations were formulated on June 8, 1996; The fifth amendment was made on June 11 2015.</p>	Date of amendment

Discussion

Motion 4

Proposal of the Board of Directors

Subject: The Company's Motion of Amendments to Articles of Incorporation is presented for discussion.

Explanation: Following the amendment of the Company Act, the Company plans to revise parts of its Articles of Incorporation. Please discuss.

Appendix: Corresponding Table of Amended Articles in the company's Articles of Incorporation

Resolutions:

Everlight Chemical Industrial Corporation
Corresponding Table of Amended Articles in the Articles of Incorporation

Amended articles	Existing articles	Explanation
<p>Article 28: If the Company realizes any earnings in the current year, it shall first pay taxes and reimburse previous losses. If there are any remaining earnings, they shall be appropriated in the following orders: 1. 10% of the legal reserve; 2. special reserve in accordance with relevant laws and regulations (the reversal shall also be conducted in accordance with relevant rules); 3. other accumulated undistributed earnings in the beginning period may serve as distributable earnings; however, a certain amount shall be retained depending on the business condition before distributed as shareholders' bonuses, and shall not be distributed until the motion of earnings distribution is proposed by the Board of Directors to the shareholders' meeting and has been passed.</p> <p><u>If the shareholders' dividends mentioned in the previous paragraph are distributed with cash, the Board of Directors are authorized to have more than two thirds of directors attending the meeting and over half of the attending directors resolving, and then the resolution is reported to the shareholders' meeting.</u></p>	<p>Article 28: If the Company realizes any earnings in the current year, it shall first pay taxes and reimburse previous losses. If there are any remaining earnings, they shall be appropriated in the following orders: 1. 10% of the legal reserve; 2. special reserve in accordance with relevant laws and regulations (the reversal shall also be conducted in accordance with relevant rules); 3. other accumulated undistributed earnings in the beginning period may serve as distributable earnings; however, a certain amount shall be retained depending on the business condition before distributed as shareholders' bonuses, and shall not be distributed until the motion of earnings distribution is proposed by the Board of Directors to the shareholders' meeting and has been passed.</p>	<p>Amended in accordance with laws and regulations</p>
<p>Article 32: The Articles of Incorporation were formulated on Aug. 28, 1972; The forty-second amendment was made on Jun. 8, 2017; <u>The forty-third amendment was made on May 30, 2019.</u></p>	<p>Article 32: The Articles of Incorporation were formulated on Aug. 28, 1972; The forty-second amendment was made on Jun. 8, 2017.</p>	<p>Date of amendment</p>

Ad Hoc Motions

Ad Hoc Motions

Appendices

Everlight Chemical Industrial Corporation

Rules of Procedure for Shareholders' Meeting

Passed on Shareholders' Meeting on Jun. 11, 2015

Article 1: In order to establish the Company's good governance system of shareholder s' meetings, strengthen the function of supervision and management mechanism, the Company formulates the Rules in accordance with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Article 2: The rules of procedure for the shareholders' meetings of the Company shall adhere to the provisions of these Rules unless otherwise specified by law or in the Articles of Incorporation.

Article 3: Shareholders' meetings of the Company shall be convened by the Board of Directors unless other otherwise specified by law.

The Company shall prepare electronic versions of the Shareholders' Meeting Notice, proxy forms, the reasons and explanatory materials relating to all proposals such as proposals for ratification, matters for deliberation, and the election or dismissal of directors, etc., and upload them to the Market Observation Post System (MOPS) 30 days before the general shareholders' meeting or 15 days before the ad hoc shareholders' meeting. Electronic versions of the Shareholders' Meeting Agenda and supplementary information shall be prepared and transmitted to the MOPS 21 days before the general shareholders' meeting or 15 days before the ad hoc shareholders' meeting. The Shareholders' Meeting Agenda and supplementary information shall be made available for shareholders to review at any time 15 days before the shareholders' meeting. The agenda and supplementary materials shall be displayed at the Company, and its professional shareholder service agency, and shall be distributed on the shareholders' meeting.

The notice and announcement shall state the reason for arranging the meeting; the notice may be in electronic format with the consent of the addressee.

The election or dismissal of directors, amendments to the Articles of Incorporation, the dissolution, merger, splitting of the Company, any matters under Article 185, Paragraph 1 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, and Article 56-1 and Article 60-2 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be listed in the reason for arranging the meeting and may not be proposed as ad hoc motions.

A shareholder holding 1 percent or more of total issued shares may submit motions to general shareholders' meetings by correspondence to the Company. This is limited to one motion for each shareholder. If more than one motion is submitted, all of them will be excluded from the agenda. Shareholder proposals may also be excluded from the agenda by the Board of Directors if they match any of the situations defined in Article 172-1, Paragraph 4 of the Company Act.

The Company shall announce that it will begin accepting shareholder proposals as well as the location and period for submission of proposals before the date for

suspension of share transfer for the general shareholders' meeting. The period for submission of shareholder proposals may not be less than 10 days.

Shareholder proposals are limited to 300 words. Those with more than 300 words will be excluded from the agenda; the shareholder making the proposal shall attend the general shareholders' meeting in person or by proxy, and take part in the discussion on the proposal.

The Company shall inform shareholders of the outcome of their submission before the date of the shareholders' meeting and include the proposals that conform to this rule in the meeting notice. The Board of Directors shall explain the reason for non-inclusion of any shareholder proposals in the agenda on the shareholders' meeting.

Article 4: A shareholder may appoint a proxy to attend each shareholders' meeting by providing the proxy form issued by the Company which states the scope of authorization.

Each shareholder is limited to one proxy form and appointing one proxy only. The proxy form shall be delivered to the Company no less than 5 days before the shareholders' meeting. When duplicate proxy forms are received, the one delivered the earliest will be recognized. This, however, does not apply if a declaration was made to revoke the previous proxy appointment.

Once the proxy form is received by the Company, if the shareholder wishes to attend the shareholders' meeting in person or exercise voting right by correspondence or electronically, he or she shall send a written notice of proxy cancellation to the Company 2 days before the shareholders' meeting; if the cancellation notice is delivered after the deadline, the vote cast by the proxy on the meeting shall prevail.

Article 5: The venue for a shareholders' meeting shall be where the Company is located, or a place that is convenient to shareholders and suitable for the shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. When choosing the location and time of the meeting, the opinions of independent directors shall be fully considered.

Article 6: The Company shall specify in the Shareholders' Meeting Notice the shareholder registration time, registration location, and any other relevant matters.

Shareholder registration shall be accepted at least 30 minutes before the start of the meeting. The registration location shall be clearly marked and a sufficient number of competent personnel shall be assigned to handle the registration.

Shareholders and their proxies (hereafter referred to as "shareholders") shall attend shareholders' meetings based on attendance passes, sign-in card, or other attendance documentation. The Company shall not require for any additional documents for the attendance of shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company shall provide the attending shareholders with an attendance book to sign, or the attending shareholders may hand in a registration pass in lieu of signing in.

The Company shall give the attending shareholders with the meeting agenda booklet, annual report, attendance passes, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be given.

When the government or a legal person is the shareholder, it may be represented by more than one representative to attend the shareholders' meeting. When a legal person is appointed to attend as the proxy, it may designate only one person as its representative for the meeting.

Article 7: If the shareholders' meeting is convened by the board, the Chairman serves as the chairman of the meeting. If the Chairman is on leave or cannot exercise his or her power for any reason, the Vice Chairman shall serve as the deputy. If there is no Vice Chairman, or the Vice Chairman is on leave or cannot exercise his or her power for any reason, the Chairman may designate an executive director as the deputy; if no executive directors were appointed, a director may be designated as the deputy. If the Chairman has not designated a deputy, the executive directors or directors may elect one among them as the deputy.

If the executive director or director is assigned to be the above-mentioned chairman, he or she shall have stayed in the position for at least 6 months and understand the Company's financial business condition. If the chairman is a representative of corporate director, the same applies.

The Chairman shall hold the shareholders' meeting convened by the board in person, and there shall be over half of the directors on the board and at least one member of each functional committee attending. The attendance status shall be recorded in the shareholders' meeting minutes.

If the shareholders' meeting is convened by an authorized person other than the Board of Directors, the convener shall be the chairman. If there are more than two conveners, they shall nominate one among them as the chairman.

The Company may appoint its attorneys, certified public accountants or other related personnel as participants on shareholders' meetings.

Article 8: The Company shall continuously record as audio and video the whole processes of shareholder registration, meeting, and the vote counting.

The above-mentioned audio and video data shall be kept for at least one year. If the litigation is launched by a shareholder in accordance with Article 189 of the Company Act, the data shall be retained until the conclusion of litigation.

Article 9: Shareholder attendance shall be calculated on the basis of shares. The number of shares in attendance shall be calculated based on the attendance book or the registration passes handed in as well as the number of shares with voting right by correspondence or in electronic form.

The chairman shall call the meeting at the appointed time. If the attending shareholders do not represent a majority of issued shares, the chairman may announce a postponement. Up to two postponements may be announced but the total time postponed may not exceed one hour. If there are not enough shareholders

representing at least one-third of issued shares attending the meeting after two postponements, the meeting will be announced to be dismissed by the chairman.

If there are not enough shareholders representing at least one-third of issued shares attending the meeting after two postponements, tentative resolutions may be passed in accordance with Article 175, Paragraph 1 of the Company Act. Shareholders shall be notified of the tentative resolutions, and another shareholders' meeting will be convened within one month.

If the number of shares represented by the attending shareholders exceeds more than half of issued shares before the conclusion of the current meeting, the chairman may re-submit previous tentative resolutions to the shareholders' meeting for voting in accordance with Article 174 of the Company Act.

Article 10: If the shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed according to the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph shall apply if the shareholders' meeting is convened by a person other than the Board of Directors with necessary authority.

The chairman may not adjourn the meeting before the entire agenda (including ad hoc motions) has been deliberated on, except resolved by the shareholders' meeting. If the chairman declares the meeting adjourned in violation of the rules of procedure, other members of the board shall immediately assist attending shareholders in electing a new chairman by over a half of the represented shares of the attending shareholders in accordance with the statutory procedure and continue the meeting.

The chairman shall allow opportunities for proposals or amendments or ad hoc motions proposed by shareholders to be fully explained and discussed. When it is believed that a proposal is ready for voting, the chairman may announce for ending the discussion and call for a vote.

Article 11: Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance pass number), and account name. The order in which shareholders speak will be decided by the chairman.

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

Except with the consent of the chair, a shareholder or his/her proxy shall not speak more than two times on the same proposal, and each speech may not exceed five minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda items, the chairman may restrain him or her from continuing the speech.

When an attending shareholder is speaking, other shareholders shall not speak or interrupt unless they have obtained both the consent of the chairman and the speaking shareholder. The chairman shall stop any violation.

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

Once an attending shareholder has spoken, the chairman may respond in person or designate relevant personnel to respond.

Article 12: Shareholder voting shall be calculated on the basis of shares.

The shares of a shareholder with no voting rights shall not be calculated into the total number of issued shares for the resolutions of the shareholders' meeting.

When a shareholder is a related party to an agenda item and there is concern that such relationship may prejudice the interests of the Company, the shareholder may not vote on that item and may not exercise voting rights as a proxy of any other shareholders.

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

With the exception of a trust business or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as the proxy by two or more shareholders, the voting rights represented by the proxy shall 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 will not be calculated.

Article 13: A shareholder has one vote per share; however, this does not apply to restricted shares or to those with no voting rights under Article 179, Paragraph 2 of the Company Act.

When a shareholders' meeting is convened by the Company, votes may be made electronically as well as by correspondence. When a vote is to be made by correspondence or electronically, the method of voting shall be stated in the Shareholders' Meeting Notice. Shareholders voting by correspondence or electronically shall be considered to have attended in person. However, they shall be considered to have abstained from voting on ad hoc motions or amendments to the original proposal during the shareholders' meeting. Thus, the Company shall avoid propose ad hoc motions and amendments to the original proposal.

For voting made by correspondence or electronically mentioned in the previous paragraph, the representation shall be delivered to the Company 2 days before the shareholders' meeting. When duplicate representations are received, the one delivered the earliest will be recognized. However, this does not apply if a declaration was made to revoke the previous declaration.

If a shareholder wants to attend the shareholders' meeting in person after exercising the voting right by correspondence or electronically, he/she shall cancel the

representation of the voting right mentioned in the previous paragraph in the same way with exercising the voting right 2 days before the shareholders' meeting. For the cancellations overdue, the voting right made by correspondence or electronically will prevail. If the shareholder exercises the voting right by correspondence or electronically and appoints a proxy with a proxy form to attend the shareholders' meeting, the voting right exercised by the attending proxy on the meeting shall prevail.

A motion is passed after voted by over a half of the voting right represented by the attending shareholders unless otherwise specified by the Company Act or the Company's Articles of Incorporation. During the voting, the chairman or the personnel designated shall first announce for the total voting rights represented by the attending shareholders by proposal, followed by a poll of the shareholders. On the day after the conclusion of the shareholders' meeting, the number of for and against votes as well as abstentions shall be entered into the MOPS.

When there is an amendment or an alternative to a proposal, they and the original proposal shall be voted in the order decided by the chairman. If one of the proposals is passed, the others shall be considered to have been rejected and further voting is unnecessary.

The vote monitoring and counting personnel shall be appointed by the chairman. However, vote monitors shall be shareholders of the Company.

The vote counting of the proposals or elections of the shareholders' meeting shall be done in the open place inside the shareholders' meeting. The results, including the weights calculated, shall also be announced in the same place right after the counting is completed, and shall be kept in record.

Article 14: The election of directors on a shareholders' meeting shall be conducted in accordance with the guidelines in electing directors mandated by the Company. The election results, including the list of the elected directors as well as the votes they received, shall be announced in the same place.

The vote cast under the previous paragraph shall be sealed and signed by the vote monitors and then held in safe custody for at least one year. If the litigation is launched by a shareholder in accordance with Article 189 of the Company Act, the data shall be retained until the conclusion of litigation.

Article 15: The minutes shall be prepared based on the resolutions passed by the shareholders' meeting, and then shall be signed or stamped by the chairperson. The minutes shall then be sent out to all of the shareholders within 20 days after the meeting. The meeting minutes may be prepared and distributed in an electronic format.

The distribution of the meeting minutes under the previous paragraph may be done by the Company in entering into the MOPS.

The meeting minutes shall be recorded based on the year, month, day, location, chairman's name, resolution method, key points of the meeting and the results, and shall be permanently preserved during the going-concern period of the Company.

Article 16: 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 a clear disclosure at the place of the shareholders' meeting.

If matters to be resolved on the shareholders' meeting constitute material information under the applicable laws or regulations of the Taiwan Stock Exchange Corporation, the Company shall upload the content to the MOPS within the prescribed time period.

Article 17: Identification badges or armbands shall be worn by the staff organizing the shareholders' meeting.

The chairman may direct proctors or security personnel to assist in maintaining order on the meeting. The proctors or security personnel who assist in maintaining order shall wear armbands or identification badges with the word "Proctor" on them.

When the venue of the meeting is equipped with voice amplification equipment and a shareholder is using equipment not provided by the Company to speak, the chairman may prevent the shareholder from doing so.

If a shareholder violates the rules of procedure for the meeting, defies the chairman's instructions, obstructs the proceedings of the meeting and ignores requests to stop, they may be expelled by the proctors or security personnel under the direction of the chairman.

Article 18: When a meeting is in progress, the chairman may announce a break based on time considerations. If a force majeure event occurs, the chairman may rule the meeting temporarily suspended and announce an appropriate time for the resumption of the meeting.

If not all of the items (including ad hoc motions) on the meeting agenda have been addressed and the meeting venue is no longer available for continued use, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

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

Article 19: The Rules shall be implemented after being adopted by the shareholders' meeting. Amendments shall also follow the same procedure.

Article 20: The Rules were mandated on Apr. 26, 1988.

The first amendment was made on May 22, 1998.

The second amendment was made on Jun. 21, 2002.

The third amendment was made on May 24, 2011.

The fourth amendment was made on May 24, 2012.

The fifth amendment was made on Jun. 11, 2013.

The sixth amendment was made on Jun. 11, 2015.

Everlight Chemical Industrial Corporation

Procedures for Acquisition or Disposal of Assets

The draft was passed by the Board of Directors on March 28, 2019.

1. Goal:

In order to protect assets, implement open information and to let the Company has rules to abide by for the process of acquiring or disposing assets, we formulated the Procedures.

2. Scope:

The so-called assets in the Procedures apply to the following scope:

2.1 Securities: including investments such as stocks, government bonds, corporate bonds, financial bonds, securities of outstanding funds, depository receipts, Call (Put) warrants, beneficiary securities, and asset-based securities.

2.2 Properties (including land, houses and buildings, and real properties for investment purpose) and equipment.

2.3 Membership certificates.

2.4 Intangible assets: including patents, copyrights, trademarks, and franchise rights.

2.5 Right-of-use assets.

2.6 Derivative products.

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

2.8 Other major assets.

3. Definitions: the terms used in the Procedures are defined as follows:

3.1 Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, and long-term purchase (sales) contracts.

3.2 Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with laws: refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to the transfer of shares from another company through issuance of new shares of its own as the consideration therefor under Article 156-3 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 property appraiser or other person duly authorized by law to engage in the value appraisal of property or equipment.

3.5 "Date of occurrence": refers to the signing date of contract, date of payment, date of consignment trade, date of transfer, date of board resolutions, or other dates that can confirm the counterpart and monetary amount of the transaction, whichever date is

earlier. However, for investments for which approval of the competent authority is required, the earlier of the above dates or the reception date of approval by the competent authority shall apply.

- 3.6 Investments in Mainland China: refers to investments in Mainland China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- 3.7 Securities exchange: Domestic securities exchange refers to the Taiwan Stock Exchange Corporation; foreign securities exchange refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
- 3.8 Over-the-counter venue: Domestic OTC venue refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; foreign OTC venue refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.
- 3.9 The professional appraisers and their officers, CPAs, attorneys, and security underwriters who provide the Company with appraisal reports, CPA's opinion reports, attorney's opinion reports or underwriter's opinion reports shall satisfy the following requirements:
 - 3.9.1 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 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.
 - 3.9.2 May not be a related party or de facto related party of any party to the transaction.
 - 3.9.3 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 the above paragraph shall comply with the following matters:

 - (1) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
 - (2) When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use it 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.
 - (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.

- (4) They shall issue a statement which clarifies 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.

4. References:

- 4.1 The “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” published by the Financial Supervisory Commission in Jin-Guan-Zheng-Fa-Zhi No. 1070341072 on Nov. 26, 2018.
- 4.2 International Financial Reporting Standards (IFRS)
- 4.3 The Company’s “Regulations Governing Derivatives Transactions (9-A8-02)”
- 4.4 The Company’s “Procedures for Clarifying the Duties for Each Expenditure (9-A8-40)”
- 4.5 The Company’s “Procedures for Long-term Equity Investment (9-A8-08)”
- 4.6 The Company’s “Rules for Managing Fixed Assets (1-A2-11)”
- 4.7 The Company’s “Regulations for Coding, Impairment, Transaction, and Inventory Operation of Fixed Assets (0-2B-001)”
- 4.8 The Company’s “Provisions for Procurement and Acceptance of Fixed Assets (0-2B-002)”

5. Contents:

5.1 Acquisition or disposal of properties, equipment or right-of-use assets

5.1.1 Evaluation procedures

In acquiring or disposing properties, equipment or right-of-use assets, the Company adheres to its “Rules for Managing Fixed Assets (1-A2-11),” “Regulations for Coding, Impairment, Transaction, and Inventory Operation of Fixed Assets (0-2B-001),” “Provisions for Procurement and Acceptance of Fixed Assets (0-2B-002),” and relevant operating provisions.

5.1.2 Transaction conditions and authorization quota

- (1) In acquiring or disposing of properties, the Company shall refer to the publicly announced current value, evaluated value, and actual trading price of nearby properties in deciding the transaction conditions and price, and shall prepare an analysis report to submit to the Chairman. If the transaction amount is under NT\$300,000,000 or 20% of the Company's paid-in capital, the Company shall submit it to the Chairman for approval and report on the latest board meeting afterwards. If the transaction amount reaches more than NT\$300,000,000 or 20% of the Company's paid-in capital, the Company shall first propose to the Board of Directors for approval.
- (2) The acquisition or disposal of equipment shall be done via either inquiry, competition, negotiation or tender, and shall be approved level by level in accordance with the authorization of “Procedures for Clarifying the Duties for Each Expenditure (9-A8-40)”. The amount limit that shall be passed by the Board of Directors shall be handled in accordance with the provisions of the aforementioned Provision 5.1.2(1).
- (3) The operation of the acquisition or disposal of properties, equipment or right-of-use assets shall be conducted in accordance with Provision 5.1.2(1)~(2). If the amount is under NT\$100,000,000, the Company shall submit it to the

Chairman for approval and report on the latest board meeting afterwards. If the amount reaches more than NT\$300,000,000, the Company shall first propose to the Board of Directors for approval.

5.1.3 Execution unit

When acquiring or disposing properties, equipment or right-of-use assets, the Company shall first present the resolution according to the authority defined in the rules of Provision 5.1.2. Then, the acquisition or disposal is conducted by the department using the properties or equipment and the competent authority unit.

5.1.4 Appraisal report on properties, equipment or right-of-use assets

In the acquisition or disposal of properties, equipment or right-of-use assets, except in the cases of transactions with domestic government institutions, (self-owned or leased) land for commissioned construction, or acquisition or disposal of equipment or right-of-use assets for business use, if the transaction amount reaches 20% of the Company's paid-in capital or exceeds NT\$ 300 million, the Company shall obtain an appraisal report issued by professional appraisers before the date of such transaction, and carry out such transaction in accordance with the following provisions:

- (1) If, due to special circumstances, it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same applies if there are subsequent changes to the conditions of the transaction.
- (2) If the transaction amount exceeds NT\$1 billion, appraisals from two or more professional appraisers shall be obtained.
- (3) If any one of the following circumstances applies to the professional appraisers' 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 CPA shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the 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) The time period between the date of the appraisal report issued by a professional appraiser and the contract execution date shall not exceed 3 months. However, if the publicly announced current value for the same period is applied and no more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

5.2 Acquisition or disposal of securities investment

5.2.1 Evaluation procedures: when acquiring or disposing securities, prior to the date of occurrence of the event, the Company shall obtain financial statements of the

issuing company for the most recent period, which have been certified or reviewed by a CPA, for reference in appraising the transaction price. In addition, if the transaction amount reaches 20% of the Company's paid-in capital or more than NT\$300 million, prior to the date of occurrence of the event the Company shall ask a CPA to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert, the CPA shall adhere to the provisions of Statement of Auditing Standards No. 20 published by the ARDF. However, this requirement does not apply to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission.

5.2.2 Essentials to evaluation

- (1) Evaluation team: the stock trading is conducted by several members of the short-term equity investment evaluation team designated by the Chairman.
- (2) Stocks:
 - a. The investment targets are decided after the evaluation is conducted based on the 5P in financial accounting and the industry condition.
 - b. Appointing professional investment institutions to conduct trading.
 - c. The trading is conducted under the approval of General Manager and Chairman after the evaluation.
- (3) Except for stocks, others such as certificates of deposit, bonds, short-term notes, bond funds and beneficiary certificates, etc., can be bought if they belong to the investment assets evaluated by the “bond fund credit rating” of each good credit-rating institution. Besides, the investment amount of the same investment trust company is limited to NT\$ 30 million so as to achieve the goal of risk diversification.
- (4) The Company shall conduct appropriate evaluation in accordance with accepted accounting principles and relevant laws and regulations each quarter.

5.2.3 Acquisition of investment

- (1) Utilization of short-term funds:
 - a. Short-term funds are utilized according to the check and stamps authority defined in the “Procedures for Bank Deposit Withdrawal and Stamps Management (9-A8-06)”.
 - b. Stock investments: the “Application Form for Obtaining (Disposing) Securities (9-A8-01-01)” is filled in by the Finance Department or the stock investment execution unit designated by the Chairman. After the transaction has obtained approval with authority, it is then conducted according to the payment procedure.
 - c. Short-term investments except for stocks: the “Application Form for Obtaining (Disposing) Securities” is filled in by the Finance Department, and then the transaction is conducted with authority along with payment vouchers.
 - d. After the Finance Department or the stock investment execution unit designated by the Chairman has completed payment according to the payment procedure, it shall definitely execute and complete the account

transfer procedure and then designate a dedicated personnel to retrieve the confirmation document of the securities or transaction, pass it to the personnel for the custody of securities designated by the Company, and preserve the sheet of “Application Form for Obtaining (Disposing) Securities”.

(2) When providing firms with pledge:

- a. The petition is filled in by the competent unit, and then transferred to the Finance Department after the approval is obtained with authority. After negotiating with financial institutions about the dollar amount and period of the petition, the Finance Department then fills in the “Application Form for Obtaining (Disposing) Securities,” prepares the payment voucher and conduct the transaction according to the general payment procedure.
- b. After the Finance Department has completed payment and retrieved the confirmation document of securities or transaction, it shall first make a copy of the securities document and send it to the dedicated unit along with the original document. Then, after the dedicated unit has signed on the copy, the copy is reserved by the Finance Department and the original document is transferred to suppliers by the dedicated unit. At the same time, the receipts of suppliers are retrieved and sent back to the Finance Department for reservation.

5.2.4 Transaction conditions and authorized quota

- (1) The Company’s long-term equity investments are evaluated in accordance with the provisions of the Company’s “Procedures for Long-term Equity Investment (9-A8-08),” and the transactions shall not be conducted until they have been passed by the Board of Directors.
- (2) Except for Provision 5.2.4(1), the authority of obtaining or disposing a securities transaction conducted at the stock exchange market or the business location of a security firm is as below:
 - a. The investment amount of the same investment trust company is limited to NT\$ 30 million so as to achieve the goal of risk diversification.
 - b. Authorization quota:

Currency: NTD

		Upper limit for accumulated position
Stocks	Head of Financial Division	NT\$ 10 million (inclusive)
	General Manager	NT\$ 10 million ~ NT\$ 50 million (inclusive)
	Chairman	NT\$ 50 million ~ NT\$ 100 million
Utilization of short-term funds except for stocks	Head of Financial Division	NT\$ 100 million (inclusive)
	General Manager	NT\$ 100 million ~ NT\$ 200 million (inclusive)
	Chairman	NT\$ 200 million ~ NT\$ 300 million

c. Transactions over the authority of Chairman may not be conducted until they have been approved by the Board of Directors.

- (3) To obtain or dispose of securities that are not traded at the stock exchange market or an over-the-counter trading center, the Company shall obtain financial statements of the issuing company for the most recent period, which have been certified or reviewed by a CPA, for reference in appraising the transaction price. The Company shall take into account its net worth per share, profitability, future development potential, market interest rate, bond coupon rate and debtor's debt credit, etc., and refer to the transaction price at that time. The obtaining or disposal shall not be conducted until it has been submitted to the Board of Directors and approved.

5.2.5 Disposal of investments

- (1) Overdue or cancellation of notes or certificates of deposit:

The "Application Form for Obtaining (Disposing) Securities" originally preserved or the "Purchase Transaction Document" issued by a financial institution is entered into the account voucher by the Finance Department .

- (2) Stocks of listed companies with the purpose of short-term investments:

The "Sales Report" issued by a securities institution is referred to by the Finance Department or the execution unit designated by the Chairman. Then, the "Receipt List" is filled in by a personnel designated by the Head of Financial Division, and then entered into the account voucher by the personnel of Accounting Department.

- (3) The application of disposing investments shall be conducted by a junior level of supervisor with authority according to the authority defined in Provision 5.2.4.

5.2.6 Management of investments

- (1) Any stocks, notes, bonds, certificates of deposits or transaction confirmation documents that are purchased with the purpose of short-term fund utilization or are provided as pledge by customers shall be kept in the custody of the Financial Division. In principle, they shall be preserved in safe deposit boxes, in custody of a security custody personnel designated by the Company.
- (2) With respect to the principal, interest or dividends and bonuses of securities, the Finance Department shall pay in accordance with the payment rule. If there are stocks distributed, they shall be kept in custody of the security custody personnel designated by the Company. There will only be records of share increase on the account. No entries will be made.
- (3) The Finance Department or the execution unit designated by the Chairman shall set up the "List of Securities" to register with details items such as the account name, item name, quantity, dollar amount, number, and period, etc. The attached coupons, expiration period, and payment dates of the securities shall also be noted for reference.

5.2.7 Execution unit

When the Company invests in long and short-term securities, the transaction shall be executed by the Financial Division after it has been approved with the authority defined in the previous provision.

5.2.8 Obtaining opinions of CPAs

If the Company has any of the following conditions and the transaction amount reaches 20% of the Company's paid-in capital or exceeds NT\$ 300 million, the Company shall ask a CPA to provide an opinion regarding the reasonableness of the transaction price:

- (1) Obtaining or disposing the securities that are not traded at the stock exchange or the business location of a security firm.
- (2) Obtaining or disposing private placement of securities.

5.3 Obtaining or disposing intangible assets or right-of-use assets or membership certificates

5.3.1 Evaluation procedure, transaction conditions and the procedure for authorized quota

When obtaining or disposing intangible assets or right-of-use assets or membership certificates, the Company adheres to its "Procedures for Clarifying the Duties for Each Expenditure (9-A8-40)".

5.3.2 Execution unit

When acquiring or disposing intangible assets or right-of-use assets or membership certificates, the Company shall first present the resolution according to the authority defined in the previous paragraph. Then, the acquisition or disposal is conducted by the department using them or the administrative unit.

5.3.3 Experts' evaluation and opinion reports on intangible assets or right-of-use assets or membership certificates

If the transaction amount in acquiring or disposing intangible assets or right-of-use assets or membership certificates reaches 20% of the Company's paid-in capital or more than NT\$300 million, except in the cases of transactions with domestic government institutions, prior to the date of occurrence of the event the Company shall ask a CPA to provide an opinion regarding the reasonableness of the transaction price in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (ARDF).

5.4 The calculation of the transaction amount mentioned in Provision 5.1~5.3 shall be conducted in accordance with Provision 5.8.2, and the so-called "within one year" is counted retrospectively back to the previous one year based on the date of occurrence of this event. The amount that has obtained an appraisal report issued by professional appraisers or the opinions of CPAs in accordance with the Procedures may not be counted in.

If the Company acquires or disposes assets via the court's auction procedure, it may substitute appraisal reports or CPAs' opinions with the certification documents issued by the court.

5.5 Transaction between related parties

5.5.1 When the Company acquires or disposes assets from the related party, in addition to conduct relevant resolution procedures and evaluating the reasonableness of the transaction conditions in accordance with Provision 5.1~5.4 and Provision 5.5.2, for the transactions with amount exceeding 10% of the Company's total assets, the Company shall also obtain an appraisal report issued by professional appraisers or the opinions of CPAs in accordance with Provision 5.1~5.4.

The calculation of the transaction amount in the previous provision is conducted in accordance with Provision 5.4. In addition, when identifying whether the counterparty is also a related party, besides its legal form, the real relationship shall also be considered.

5.5.2 Evaluation procedure

When the Company acquires or disposes properties or right-of-use assets from the related party, or acquires or disposes other assets except for properties or right-of-use assets from the related party and the transaction amount reaches 20% of the Company's paid-in capital, 10% of total assets or more than NT\$ 300 million, except in the cases of domestic government bonds, bonds with repurchase or reverse sell agreements, money market funds issued by domestic securities investment trust enterprises, the Company shall submit the following data to the Audit Committee for agreement, and shall not sign the transaction contract and pay until it has been passed by the Board of Directors.

- (1) The purpose, necessity and expected benefits of acquiring or disposing assets.
- (2) Reasons for choosing the related party as the transaction counterparty.
- (3) Related data of evaluating the reasonableness of the expected transaction conditions in accordance with Provision 5.5.3~5.5.4 when acquiring properties or right-of-use assets from related parties.
- (4) Matters such as the original date of the acquisition of the related party and price, counterparty and its relationship with the Company and the related party.
- (5) The prediction table of cash revenue and expenditure for each month in the future year starting from the expected contract month, and the evaluation of the necessity of the transaction and the reasonableness of the utilization of funds.
- (6) An appraisal report issued by professional appraisers or the opinions of CPAs obtained in accordance with Provision 5.5.1.
- (7) The limited conditions of the transaction and other important agreed matters.

The calculation of the transaction amount mentioned in the previous provision shall be conducted in accordance with Provision 5.8.2, and the so-called "within one year" is counted retrospectively back to the previous one year based on the date of occurrence of this event. The amount that has been submitted to the Audit Committee for approval and has been passed by the Board of Directors in accordance with the Procedures may not be counted in. If the Company, its subsidiaries, or the subsidiaries that are 100% held directly or indirectly with issued shares or total capital by the Company conduct the following transactions with each other, the Board of Directors may authorize the Chairman to conduct within a given quota in advance in accordance with

Provision 5.1.2, and then submit it to the most recent board meeting for recognition:

- a. Acquiring or disposing the equipment or right-of-use assets for business use
- b. Acquiring or disposing the properties that are right-of-use assets for business use

When the Company proposes a discussion on the board meeting in accordance with the first provision, the opinions of each independent director shall be fully considered. If there are any opposing or retention opinions provided by independent directors, they shall be stated clearly in the meeting minutes.

The matters agreed by the Company in accordance with the first provision shall first be agreed by over one half of the members of the Audit Committee, submitted to the Board of Directors for resolution, and then conducted in accordance with Provision 5.14.4~5.14.5.

5.5.3 When the Company acquires properties or right-of-use assets from the related party, it shall evaluate the reasonableness of the transaction cost with the following methods:

- (1) a. Add the necessary capital interest and the cost that shall be legally reimbursed by the buyer based on the transaction price with the related party. The so-called “capital interest cost” is calculated based on the weighted-average interest rates of the borrowed funds in the year that the Company acquires the asset. However, it shall not exceed the highest lending rate of the non-financial industry published by the Ministry of Finance.
- b. If the related party has once provided the underlying asset to a financial institution as the pledge when borrowing, the financial institution shall evaluate the total loan value of the underlying asset. However, the actual accumulated lending amount of the underlying asset shall reach at least 70% of the total evaluated loan value and the lending period shall exceed one year. However, it does not apply if the financial institution is a related party to one of the counterparties.
- (2) If the same land and house are bought or leased together, the transaction cost may be evaluated with any of the methods listed in Provision 5.5.3(1) with respect to the land and house respectively.
- (3) When the Company acquires properties or right-of-use assets from the related party, it shall evaluate the cost of the properties or right-of-use assets in accordance with Provision 5.5.3(1) ~ 5.5.3(2), and shall ask a CPA to re-examine and render a specific opinion.
- (4) When the Company acquires properties or right-of-use assets from the related party, if any of the following conditions occurs, it shall conduct the acquisition in accordance with Provision 5.5.2 and is not applicable to Provision 5.5.3(1) ~ 5.5.3(3):
 - a. The related party acquired the properties or right-of-use assets due to heritage or gifting.

- b. The time between the date on which the related party signed the contract to obtain the properties or right-of-use assets and the contract date of this transaction has exceeded five years.
- c. The Company acquires the property from the related party by building the property after signing a cooperation contract with self-owned or leased land for commissioned construction.
- d. The Company, its subsidiaries, or the subsidiaries that are 100% held directly or indirectly with issued shares or total capital by the Company obtain the properties that are right-of-use assets for business use from each other.

5.5.4 When the result of the evaluation conducted in accordance with Provision 5.5.3(1) ~ 5.5.3(2) is lower than the transaction price, the Company shall conduct the transaction in accordance with Provision 5.5.5. However, if the Company has proposed objective evidence and obtained specific and reasonable opinions of professional appraisers and CPAs due to the following conditions, it is not restricted by the rule:

- (1) For the related parties who obtain raw land or rented land before construction, they may provide evidence showing any of the following conditions:
 - a. Raw land shall be evaluated with the method mentioned in Provision 5.5.3. For houses, the reasonable construction profit shall be added to the construction cost of the related party. The total amount exceeds the actual transaction price. The so-called “reasonable construction profit” shall be the lower of the average operating gross profit of the related party’s construction department in the most recent three years or the latest gross profit in the construction industry published by the Ministry of Finance.
 - b. The other floors of the same property or the other transactions of non-related parties in the nearby region within one year have similar area, and the transaction conditions are equivalent after the evaluation on the reasonable price discrepancy of floors and regions according to the norm of real property transaction or leasing.
- (2) The properties purchased or the properties that are right-of-use assets leased by the Company from related parties with evidence have equivalent transaction conditions and area with the transactions of other non-related parties in the nearby regions within one year.

The transactions in the nearby region mentioned in (1) and (2) are based on the properties that are located on the same or nearby street and are not more than 500m away from the transaction target, or are based on similar announced current values. The so-called “similar area” refers to when the area of the property in the transaction of other non-related party is not lower than 50% of the area of the transaction target. The so-called “within one year” is counted retrospectively back to the previous one year based on the date of occurrence of the acquisition of the properties or right-of-use assets.

5.5.5

- (1) When the Company acquires a property or right-of-use asset from a related party, if all of the results of evaluations conducted in accordance with Provision

5.5.3 ~ 5.5.4 is lower than the transaction price, the Company shall conduct the following matters:

- a. The special reserve shall be recognized with respect to the price discrepancy between the transaction price of the property or right-of-use asset and the evaluated cost in accordance with Provision 1, Article 41 of the Securities and Exchange Act, and shall not be distributed or transferred to common stocks. If the investor who invests in the Company with the Equity Method is a public listed company, it shall also recognize special reserve with respect to the recognition amount based on the shareholding percentage in accordance with Provision 1, Article 41 of the Securities and Exchange Act.
 - b. For independent directors in the Audit Committee, the transaction shall be conducted in accordance with Article 218 of the Company Act.
 - c. The handling status of Provision 5.5.5 (1)a. and 5.5.5 (1)b. shall be submitted to the shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and the prospectus.
- (2) When the Company recognizes special reserve in accordance with Provision 5.5.5(1)a., it shall not use the reserve until it has recognized impairment loss or disposed the asset that was bought or leased with a high price, or has terminated the lease contract or has made appropriate compensation or let it recover to its original state, or has other evidence to ensure that there are no unreasonable matters, and has obtained the consent of the Financial Supervisory Commission.
- (3) When the Company acquires a property or right-of-use asset from related party, if there is other evidence showing that the transaction has matters not meeting the general rules of operation, it shall also conduct the transaction in accordance with Provision 5.5.5(1) ~ 5.5.5(2).

5.6 Engaging in derivative product trading

The Company adheres to the "Regulations Governing Derivatives Transactions (9-A8-02)" when engaging in derivative product trading.

5.7 Conducting the merge, split, acquisition or transfer of shares

5.7.1 Evaluation procedure

When the Company conducts the merge, split, acquisition or transfer of shares, before a board meeting is convened, it shall appoint CPAs, lawyers or securities firms to present opinions with respect to the reasonableness of the share transfer percentage, purchase price, or the cash or other assets distributed to shareholders, and the matters shall be proposed to the Board of Directors for discussion and passed. However, if the Company merges subsidiaries that are 100% held directly or indirectly with issued shares or total capital, or the above subsidiaries conduct mergers with each other, the opinions with respect to reasonableness rendered by the experts mentioned above may not be obtained.

5.7.2 If the Company engages in mergers, splits or acquisitions, it shall prepare a public document for shareholders containing important agreed items and relevant matters of the merger, split or acquisition before the shareholders' meeting. The document shall be distributed to the shareholders along with the experts' opinions in Provision 5.7.1 and the meeting notice as the reference to agree the merger, split

or acquisition or not. However, those that may not convene shareholders' meetings to resolve on mergers, splits or acquisitions in accordance with other laws and regulations are not restricted by this provision.

For the companies engaging in mergers, splits or acquisitions, if any party cannot convene a shareholders' meeting, make resolutions or the motions are disapproved by the shareholders' meeting due to insufficient attendants and voting rights or other legal limitations, the companies engaging in mergers, splits or acquisitions shall immediately illustrate to the public about the reasons, subsequent handling procedures and the date of another shareholders' meeting planned to be convened.

5.7.3 If the Company engages in mergers, splits or acquisitions, unless there is need to report to the FSC for agreement in accordance with other laws and regulations or due to special reasons, it shall convene a board meeting and shareholders' meeting on the same day to resolve on relevant matters of mergers, splits or acquisitions.

If the Company engages in share transfer, unless there is need to report to the FSC for agreement in accordance with other laws and regulations or due to special reasons, it shall convene a board meeting on the same day.

If the Company engages in mergers, splits, acquisitions or share transfer, it shall make the following data into a complete written record and keep it for five years for examination:

- (1) Basic information of personnel: including all the personnel engaging in the project of merger, split, acquisition or share transfer or the execution process before the news is made public; the information shall include their positions, names, and ID numbers (passport numbers for foreigners).
- (2) Dates of important matters: including the dates of signing agreement letters or memorandums, commissioning of financial or legal consultants, signing contracts and holding board meetings.
- (3) Important documents and meeting minutes: including the project of merger, split, acquisition or share transfer, the agreement letter, important contacts and the board meeting minutes, etc.

If the Company engages in mergers, splits, acquisitions or share transfer, it shall report the data listed in Provision 5.7.3(1) ~ 5.7.3(2) to the FSC for examination via the Internet Information System in the regulated format within 2 days after the Board of Directors has resolved and passed the project.

5.7.4 All personnel who have engaged in or know the Company's project of merger, split, acquisition or share transfer shall provide documents of non-disclosure agreement. Before the news is released, the personnel shall not expose the content of the project to public, and shall not trade on the stocks or other equity securities of all the companies that are related to the merger, split, acquisition or share transfer by his/herself or with other's name.

5.7.5 If the Company engages in mergers, splits, acquisitions or share transfer, except under the following conditions, the share transfer percentage or purchase price shall not be changed.; the circumstances under which changes can be made shall be listed in the contract of merger, split, acquisition or share transfer:

- (1) Conducting capital increase by cash, and issuing convertible bonds, bonus shares, corporate bonds with warrant, preferred stocks with warrant, stock option certificates and other equity securities.
- (2) Behavior influencing the Company's financial operation such as disposing the Company's important assets.
- (3) Events such as major disasters and significant change of technology that can influence the Company's shareholders' equity or security price.
- (4) Adjustment of treasury stocks purchased legally by any party of the companies engaging in the merger, split, acquisition or share transfer.
- (5) The number of subjects or companies engaging in mergers, splits, acquisitions or share transfer changes.
- (6) Other changeable conditions have been listed in the contract and have been disclosed publicly.

5.7.6 If the Company engages in mergers, splits, acquisitions or share transfer, the rights and obligations of the companies engaging in mergers, splits, acquisitions or share transfer along with the following items shall be clearly stated in the contract:

- (1) The handling of defaults.
- (2) Principles for handling the equity securities or purchased treasury stocks of the companies before they were merged or split.
- (3) The quantity of treasury stocks that may be legally purchased by the engaging companies after the record date of calculating share transfer percentage and the principles for handling.
- (4) Ways of handling changes in the number of engaging subjects or companies.
- (5) Expected execution progress of the project and schedule for completion.
- (6) Relevant handling procedures such as the planned date of shareholders' meetings that shall be convened in accordance with laws if the project has not been finished on the due date.

5.7.7 After any party of the companies engaging in the Company's mergers, splits, acquisitions or share transfer has made the information public, if the Company plans to conduct mergers, splits, acquisitions or share transfer with other companies, except in the case that for the number of engaging companies decreases and the shareholders' meeting has resolved and authorized the Board of Directors to change the authority, the engaging companies may not convene a shareholders' meeting to make the resolution again, the completed procedures or legal behavior in the original motion of merger, split, acquisition or share transfer shall be conducted by all the engaging companies.

5.7.8 If any of the companies engaging in the Company's mergers, splits, acquisitions or share transfer is not a public listed company, the Company shall sign an agreement with it and conduct the merger, split, acquisition or share transfer in accordance with Provision 5.7.3, 5.7.4 and 5.7.7.

5.8 Publishing and reporting:

5.8.1 Items that shall be published and reported and the time limit

When acquiring or disposing assets, if any of the following conditions occurs, the relevant information shall be published and reported based on its characteristics

with the regulated format on the website designated by the Financial Supervisory Commission within two days after the date of occurrence:

- (1) The assets or right-of-use assets are acquired or disposed from a related party, or the assets are not properties or right-of-use assets acquired or disposed from a related party and the transaction amount reaches 20% of the Company's paid-in capital, 10% of total assets, or more than NT\$ 300 million. However, the buys and sells of domestic government bonds, bonds with repurchase or reverse sell agreements, money market funds issued by domestic securities investment trust enterprises are not restricted to the rule.
- (2) Conducting mergers, splits, acquisitions or share transfer.
- (3) The loss from engaging in derivative product trading reaches the upper limit of whole or individual contract loss as defined in the formulated procedures.
- (4) The asset acquired or disposed belongs to the equipment or right-of-use assets for business use, and the counterparty is not a related party. The transaction amount reaches NT\$ 500 million.
- (5) The properties are acquired with (self-owned or leased) land for commissioned construction, joint construction for splitting, sharing or selling, and the counterparty is not a related party. The transaction amount that the Company expects to devote into reaches NT\$ 500 million.
- (6) The asset transactions or investments in the Mainland, except as defined in the previous five provisions, have transaction amounts reaching 20% of the Company's paid-in capital or more than NT\$ 300 million. However, the following conditions are not restricted by the rules:
 - a. Buy and sell of domestic government bonds.
 - b. Buy and sell of bonds with repurchase or reverse sell agreements, purchase of money market funds issued by domestic securities investment trust enterprises.

5.8.2 The calculation methods of the transaction amount mentioned in Provision 5.8.1 are as follows:

- (1) Transaction amount for each deal.
- (2) The accumulated transaction amount of the target with the same characteristics acquired or disposed from the same counterparty within one year.
- (3) The accumulated dollar amount of the properties or right-of-use assets acquired or disposed (respectively) from the same development project within one year.
- (4) The accumulated dollar amount of the same securities acquired or disposed (respectively) within one year.

5.8.3 The so-called "within one year" in Provision 5.8.2 is counted retrospectively back to the previous one year based on the date of occurrence of this event. The parts that have been published in accordance with the Procedures may not be counted in again.

5.8.4 The Company shall, on a monthly basis, enter the status of engagement in derivative product trading of the Company and its non-domestically publicly listed subsidiaries as of the end of the previous month in the regulated format into the

information reporting website designated by the Financial Supervisory Commission before the tenth of each month.

- 5.8.5 If there are mistakes or emissions in the items that shall be published in accordance with laws when published, all of the items shall be published and reported again within two days once known.
- 5.8.6 When the Company acquires or disposes assets, it shall place the relevant contracts, meeting minutes, appraisal reports, and the opinion reports of CPAs, lawyers or securities firms in the Company. Except otherwise regulated by the laws, they shall be reserved for at least five years.
- 5.8.7 After the Company has published and reported the transaction in accordance with Provision 5.8.1, if any of the following conditions occurs, the Company shall publish and report relevant information on the website designated by the Financial Supervisory Commission within two days after the date of occurrence:
- (1) There are changes, terminations or cancellations to the relevant contracts of the original transaction.
 - (2) The merger, split, acquisition or share transfer have not been completed according to the schedule of the contract.
 - (3) There are changes to the original published and reported content.
 - (4) For the format of the publishing and reporting, refer to Attachment 6.1 ~ 6.7.
- 5.9 The total amount that the Company may purchase properties and right-of-use assets not for business use or securities and the amount limit for investing in individual securities:
- 5.9.1 The total amount of the properties and right-of-use assets not for business use shall not exceed 50% of the Company's net worth.
- 5.9.2 Total amount of securities investment:
- (1) Total amount of long and short-term equity investment
 - a. Long-term equity investment shall not exceed 80% of the Company's net worth.
 - b. Short-term equity investment shall not exceed 20% of the Company's net worth.
 - c. Total long and short-term equity investment shall not exceed 100% of the Company's net worth.
 - (2) Long and short-term securities investment, except as defined in Provision (1)a., shall not exceed 20% of the Company's net worth.
 - (3) Total long and short-term securities investment shall not exceed 120% of the Company's net worth.
- 5.9.3 Amount limit of investing in individual securities:
- (1) Long-term securities investment shall not exceed 20% of the Company's net worth.
 - (2) Short-term securities investment shall not exceed 10% of the Company's net worth.
- 5.10 The total amount that the Company may purchase properties and right-of-use assets not for business use or securities and the amount limit for investing in individual securities are as follows:

- 5.10.1 The total amount of the properties and right-of-use assets not for business use shall not exceed 50% of the company's net worth.
- 5.10.2 The total amount that the subsidiaries may invest in securities, except for investment companies, shall not exceed the Company's total capital or 100% of net worth; for investment companies, the total amount shall not exceed the Company's total capital or 200% of net worth.
- 5.10.3 The amount limit that the subsidiaries may invest in individual securities shall not exceed one-half of that in Provision 5.10.2.
- 5.11 The procedures for controlling the "acquisition or disposal of assets" of the Company's subsidiaries.
- 5.11.1 The subsidiaries shall formulate and execute the "Procedures for Acquisition or Disposal of Assets" in accordance with the relevant rules of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".
- 5.11.2 For subsidiaries not belonging to domestically public listed companies, if the acquisition or disposal of assets reaches the publishing and reporting standard defined in the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies," the Company shall conduct the publishing and reporting on behalf of the subsidiaries.
- Among the publishing and reporting standard for the subsidiaries in the previous paragraph, the regulations about "the Company's paid-in capital or total assets" is based on the Company's paid-in capital or total assets.
- 5.12 Penalty
- If the Company's personnel responsible for "acquiring or disposing assets" violate the rules of the Procedures, they shall be penalized according to the severity of the matter in accordance with the Company's personnel management rules and the Handbook for Employees.
- 5.13 For the Company's acquisition or disposal of assets passed by the Board of Directors in accordance with the Procedures or other laws, if there are disputes rendered by directors and the disputes are recorded or made into written statements, the Company shall send the data of directors' disputes to the Audit Committee.
- When the Company submits the transaction of acquiring or disposing assets to the board meeting for discussion in accordance with the Procedures, it shall fully consider the opinions of each independent director. If the independent directors have opposing or retention opinions, the opinions shall be clearly stated in the board meeting minutes.
- The Company's major asset or derivative product trading shall be consented by over one half of all members of the Audit Committee, proposed to the Board of Directors for resolution, and conducted in accordance with Provision 5.14.4 ~ 5.14.5.
- 5.14 Implementation and amendment
- 5.14.1 The formulation or amendment to the Provisions shall be conducted in accordance with Provision 5.14.3, and shall be implemented after sent to the Audit Committee and proposed to the shareholders' meeting for approval. If there are any directors rendering disputes and the disputes are recorded or made into written statements, the Company shall send the data with disputes to the Audit Committee.

- 5.14.2 When the Company submits the Procedures to the board meeting for discussion in accordance with Provision 5.14.1, it shall fully consider the opinions of each independent director. If the independent directors have opposing or retention opinions, the opinions shall be clearly stated in the board meeting minutes.
- 5.14.3 The Company's formulation or amendment to the Procedures for Acquisition or Disposal of Assets shall be consented by over one half of all members of the Audit Committee and proposed to the Board of Directors for resolution.
- 5.14.4 If Provision 5.14.3 has not been agreed by over one-half of all members in the Audit Committee, it may be conducted under the approval of over two thirds of all directors, and the resolutions of the Audit Committee shall be clearly stated in the board meeting minutes.
- 5.14.5 The so-called all members in the Audit Committee defined in Provision 5.14.3 and all directors in the previous provision are counted based on those who are still in office.
- 5.14.6 The 10% of total assets defined in the Procedures are calculated with the total asset amount listed in latest individual financial statements as regulated by the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- If there are matters not completed in the Procedures, they shall be conducted in accordance with relevant laws and regulations.
- 5.15 The Procedures were formulated on June 20, 1989;
The first amendment was made on Sep. 27, 1991.
The second amendment was made on Aug. 29, 1995.
The third amendment was made on Nov. 18, 1999.
The fourth amendment was made on Dec. 30, 1999.
The fifth amendment was made on Jun. 5, 2003.
The sixth amendment was made on Jun. 4, 2004.
The seventh amendment was made on Jun. 8, 2006.
The eighth amendment was made on Jun. 11, 2007.
The ninth amendment was made on Jun. 13, 2008.
The tenth amendment was made on May 24, 2012.
The eleventh amendment was made on Jun. 20, 2014.
The twelfth amendment was made on Jun. 11, 2015;
The thirteenth amendment was made on Jun. 8, 2017;
The fourteenth amendment was made on May. 30, 2019.

Everlight Chemical Industrial Corporation

Regulations Governing Derivatives Transactions

The draft was passed by the Board of Directors on March 28, 2019.

1. Goal

In order to definitely manage each of the Company's derivative product trading and to lower the risk derived from the fluctuation of exchange rate and interest rate, the Regulations were formulated.

2. Scope

Whenever the Company engages in derivative product trading, it shall adhere to the relevant rules of the Regulations.

3. References

3.1 The "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" amended by the Securities and Futures Bureau, Financial Supervisory Commission in Jin-Guan-Zheng-Fa-Zhi No. 1070341072 on Nov. 26, 2018.

4. Definitions

4.1 Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, and long-term purchase (sales) contracts.

5. Contents

5.1 Trading principle and goal

5.1.1 Trading category

The scope of the Company's engagement in derivative product trading is limited to forward contracts using exchange rate and interest rate, option contracts, and swap contracts. If there is need to use the contracts derived from other products, they shall not be implemented until they have passed by the Board of Directors.

The Company's derivative product trading that shall be passed by the Board of Directors shall be agreed by over one half of all members in the Audit Committee, shall be proposed to the Board of Directors for resolution, and shall be conducted in accordance with Provision 5.8.4 ~ 5.8.5.

5.1.2 Operation and hedging strategy

The Company shall engage in derivative product trading for the purpose of hedging (including financial hedging), and shall choose a product that focuses on avoiding the risk derived from the Company's business operation.

5.1.3 Exchange rate policy

(1) The foreign exchange that the Company holds shall match the need of the Company's actual import and export transactions, and shall square off the Company's overall position (i.e., foreign exchange income and expenditure),

in order to lower the Company's overall exchange rate risk and save the operation cost.

- (2) When the change of USD/NTD reaches NT\$ 1 and above within ten business days, the Financial Division can inquire the decision team whether to change the foreign exchange operation strategy.
- (3) Other transactions of specific purpose shall be evaluated prudentially and executed in accordance with Provision 5.1.4 (3)b.

5.1.4 Delegation of duties

- (1) Personnel of Finance Department
 - a. Responsible for planning the strategy of the Company's financial product trading and executing the mission of delivery.
 - b. Supervisors of the Finance Department execute trading confirmation.
 - c. The Finance Department shall periodically calculate positions every two weeks, gather market information, make judgment on the trend and evaluate risks, plan operating strategies, and submit reports with resolved authority.
 - d. Executing transactions according to approved given strategies and the regulations of authorized quota.
 - e. When there are significant changes to the financial market, and the transaction has been identified to be not applicable to the given strategy by the Finance Department, an evaluation report may be proposed anytime. The strategy may be rearranged and submitted by the Head of Financial Division to the Chairman for approving the change of strategy.
- (2) Accounting personnel
 - a. Examining whether the transaction has been executed according to the authorized authority and given strategy.
 - b. Conducting evaluation every month. The evaluation report shall be submitted to the supervisor Vice General Manager.
 - c. Processing accounting affairs.
 - d. Reporting and publishing in accordance with the regulations of the Securities and Futures Bureau, Financial Supervisory Commission.
- (3) Authorization quota
 - a. Transaction for hedging
 - (a) The authorized quota is formulated as follows according to the Company's revenue and the change of risk positions:

Currency: USD or EUR

	Transaction amount of each deal	Accumulated net position
Head of Financial Division	1,000,000	12,000,000
Manager (Vice Manager) of Finance Department	500,000	3,000,000

- (b) If the accumulated position exceeds the authorized quota and is within the total contract value of hedging transaction defined in Provision 5.1.6(1), when there is need to execute the transaction and the quota

increase is within USD 10,000,000 or EUR 10,000,000, the transaction may be conducted after it has been approved by the Chairman under authorization and shall be reported to the most recent board meeting.

b. Transaction for specific purpose:

(a) For the transactions conducted for specific purpose, such as the substantial foreign exchange need derived from purchasing producing machinery, they shall still be conducted with the regulated authority of hedging transactions in accordance with the above Provision a.

(b) Other transactions of specific purpose for saving interests, such as Interest Rate Swap (IRS), shall not be conducted until the project has been reported to the Board of Directors for approval; Cross Currency Swap (CCS) shall not be conducted until the project has been reported to the Chairman for approval, and is not restricted by the authorized quota in the above Provision a about hedging transactions.

5.1.5 Performance evaluation

(1) Transaction for hedging

a. The performance evaluation is conducted based on the income or loss derived from the Company's foreign exchange cost on the account and engagement in derivative product trading.

b. In order to fully master and present the trading evaluation risk, the Company evaluates income and loss with monthly evaluation. At the beginning of each month, the competent personnel shall submit the foreign exchange income statements of the previous month to the supervisor Vice General Manager for examination.

c. The Financial Division shall provide evaluation on foreign exchange position, trend of foreign exchange market and market analysis to the supervisor Vice General Manager as the reference and guidance for management.

(2) Transaction for specific purpose

The actual income or loss is the reference for performance evaluation, and the personnel of Financial Division shall periodically prepare statements for the position and provide them to the management for reference.

5.1.6 Total amount of contract

(1) Transaction for hedging

The total contract amount of the Company's engagement in derivative product trading shall not exceed the foreign exchange position of import and export in the most recent six months. The Financial Division shall control the Company's overall position to avoid trading risk. The dollar amount for hedging transactions is limited to the Company's overall net position. If it exceeds the limit due to special conditions, it shall be reported to the Chairman for approval.

(2) Transaction for specific purpose

a. Based on the prediction of market changes, the Financial Division may plan strategies depending on its needs. The transactions for specific purpose shall

not be conducted until they have been reported to the Chairman and approved.

- b. The total contract amount of the Company's accumulated net position of the transactions conducted for specific purpose of foreign exchange needs is limited to US\$ 10 million. Amount exceeding the limit above shall be agreed by the Board of Directors and shall be conducted according to policy guidance.
- c. The Company's transactions conducted for specific purpose for saving interests (e.g., IRS and CSS) shall be conducted according to the authorized total contract amount of the project, and shall be reported to the latest board meeting.

5.1.7 Upper limit of the loss of trading contract

- (1) For individual contracts, stop loss points shall be set or the delivery of substantive position shall be prepared according to the market conditions. In principle, the maximum loss amount if each deal is US\$ 50,000.
- (2) The upper limit of the loss of all contracts shall not exceed US\$ 300,000.
- (3) For contracts of specific purpose for saving interests, such as Interest Rate Swap (IRS), the project has been reported to the Board of Directors for approval; for CCS, there is no loss risk eventually and is not regulated by the loss limit of contract defined in the above Paragraph (1) and (2).

5.2 Traders and controlling measures

- 5.2.1 The Company's personnel engaging in derivative product trading and confirmation shall be served by the personnel with positions above and including (Vice) Manager in the Financial Division.
- 5.2.2 When the Company engages in derivative product trading, it shall set up a memorandum book, in which the types, dollar amount, date on which it is passed by the Board of Directors, items that shall be prudentially evaluated in accordance with Provision 5.5.1(2), 5.5.2(1) and 5.5.3(1) are listed with details for examination.

5.3 Risk management measures

5.3.1 Credit risk management

Since the market is easily affected by each factor, the operation risk of derivative products easily occurs. The Company shall conduct operation risk management according to the following principles: (1) Counterparty: mainly the Company's correspondent banks; if there is need to interact with other legal financial institutions, the Company shall propose to the Chairman for approval in advance. (2) Products: generally the products provided by the Company's correspondent banks.

5.3.2 Market risk management

Mainly the public foreign exchange and interest rate markets provided by the banks; the futures market is temporarily not considered.

5.3.3 Liquidity risk management

In order to ensure market liquidity, financial products with higher liquidity (i.e., they can be squared off at any time on the market) are the main choices. Financial

institutions entrusted to conduct the transactions must have sufficient information and the ability to trade on any market at any time.

5.3.4 Cash flow risk management

In order to ensure the stability of the Company's working capital turnover, the Company's source of funds for derivative product trading is limited to its own funds, and its operating amount should consider the funding requirements for the cash revenue and expenditure forecast for the next three months.

5.3.5 Operation risk management

- (1) The authorized quota of the Regulations and operation process shall be definitely followed and included into internal audit to avoid operational risk.
- (2) In principle, the confirmation personnel engaging in derivative product trading shall not concurrently serve as the delivery personnel.
- (3) The registration personnel shall check if the total transaction amount has exceeded the foreign currency assets and liabilities and the accumulated net position of the operating quota at any time. If the amount exceeds the limit, the Company shall report it to relevant supervisors.
- (4) The evaluation, supervision and controlling personnel shall be different with the personnel defined in the above Provision (2), and shall report to the supervisor Vice General Manager who is not responsible with the trading.

5.3.6 Product risk management

The trading personnel of the Finance Department should have complete and correct professional knowledge of financial products, and shall require banks to fully disclose risks, in order to avoid the risk of misusing financial products.

5.3.7 Legal risk management

While the first financial product contract is signed with a financial institution or when there is any change to the content of a standard contract with a correspondent bank, the contracts shall not be formally signed until they have been reviewed by foreign exchange traders and legal personnel to avoid legal risks.

5.4 Internal audit

5.4.1 Internal auditors shall periodically understand the appropriateness of the internal control of derivative product trading, check the compliance of the trading department with the Regulations on a monthly basis, analyze the trading cycle, and make an audit report. If a major violation is discovered, the Audit Committee shall be notified in writing.

5.4.2 The internal auditor shall report the audit report and the implementation status of the annual audit work plan to the Securities and Futures Bureau, Financial Supervision Commission before the end of February of the following year, and report the improvement condition of abnormal situations to the Securities and Futures Bureau, Financial Supervision Commission by the end of May of the following year for reference.

5.5 Supervision and Management of the Board of Directors

5.5.1 When the Company engages in derivative product trading, the Board of Directors shall definitely conduct supervision and management according to the following principles:

- (1) The designated supervisor Vice General Manager shall take notice of the supervision and control of the trading risk of derivative product anytime.
 - (2) Periodically evaluating whether the performance in engaging in derivative product trading suits the given operating strategy and whether the undertaken risk is within the scope that the Company can tolerate.
- 5.5.2 The supervisor Vice General Manager authorized by the Board of Directors shall manage transactions of derivative products according to the following principles:
- (1) Periodically evaluating whether the existing risk management measures are appropriate, and definitely execute in accordance with the Regulations.
 - (2) Supervising the status of transactions and income or loss, taking necessary response measures and immediately reporting to the Board of Directors if any abnormal conditions are found. The Company's Board of Directors shall assign independent directors to attend the board meeting and present their opinions.
- 5.5.3 Regulations of periodic evaluation on the position and status of income or loss of derivative product trading:
- (1) Conducting an evaluation once a week, and reporting the “Weekly Evaluation Table of Foreign Exchange Operation (9-A8-02-04)” to the Head of Financial Division and transferring to the supervisor Vice General Manager for examination.
 - (2) At the beginning of each month, the competent personnel prepare the “Table of Realized Exchange Income and Loss of Foreign Exchange Operation (9-A8-02-05)” based on the actual operation status in the previous month, and evaluate and prepare the “Table of Unrealized Exchange Income and Loss of Foreign Exchange Operation (9-A8-02-06)” based on the month-end closing exchange rate. After They have contacted the accounting unit, they shall send the tables to the supervisor Vice General Manager for examination and send a copy to the Audit Room.
- 5.5.4 When the Company engages in derivative product trading, it shall authorize relevant personnel to conduct the transaction in accordance with the Regulations. The status of relevant handling process shall be reported to the most recent board meeting after the occurrence of the transaction.
- 5.6 Publishing and reporting
- 5.6.1 If the Company engages in the derivative product trading with loss amount reaching the upper limit of the whole or individual contract defined in Provision 5.1.7 of the Regulations, it shall conduct publishing and reporting within two days after the date of occurrence.
- 5.6.2 Procedures for publishing and reporting
- (1) The Company shall publish and report relevant information on the website designated by the Securities and Futures Bureau, Financial Supervisory Commission.
 - (2) The Company shall, on a monthly basis, enter the status of engagement in derivative product trading of the Company and its non-domestically publicly listed subsidiaries as of the end of the previous month in the regulated format into the information reporting website designated by the Securities and Futures Bureau, Financial Supervisory Commission before the tenth of each month.

- (3) When the Company engages in derivative product trading, if there are mistakes or emissions in the items that shall be published in accordance with laws when published, all of the items shall be published and reported again.

5.6.3 Format of publishing

- (1) For the derivative product trading with loss reaching the upper limit of trading contract defined in Provision 5.1.7, the format of publishing within two days after the date of occurrence is as Appendix 6.1.
- (2) For the companies engaging in derivative product trading, the format of publishing before the tenth of each month is as Appendix 6.2.

5.7 Penalty

If the related personnel engaging in derivative product trading violates the Regulations, they shall be reported to be examined in accordance with the Company's personnel management rules and the Handbook for Employees, and shall be penalized according to the severity of the matter.

5.8 Implementation and amendment

5.8.1 The formulation or amendment to the Regulations shall be conducted in accordance with Provision 5.8.3, and shall be implemented after sent to the Audit Committee and proposed to the shareholders' meeting for approval. If there are any directors rendering disputes and the disputes are recorded or made into written statements, the Company shall send the data of disputes to the Audit Committee and propose to the shareholders' meeting for discussion.

5.8.2 When the Company proposes the Regulations to the Board of Directors for discussion in accordance with Provision 5.8.1, the opinions of each independent director shall be fully considered. The clearly consenting or opposing opinions provided by independent directors shall be stated in the board meeting minutes.

5.8.3 When there are formulations or amendments to the Regulations, they shall be agreed by over one-half of all members of the Audit Committee, and shall be proposed to the Board of Directors for resolution.

5.8.4 If the regulations have not been agreed by over one-half of all members in the Audit Committee, they may be conducted under the approval of over two thirds of all directors, and the resolutions of the Audit Committee shall be clearly stated in the board meeting minutes.

5.8.5 The so-called all members in the Audit Committee and all directors in Provision 5.8.4 are counted based on those who are still in office. If there are matters not completed in the Regulations, they shall be conducted in accordance with relevant laws and regulations.

5.9 The Regulations were formulated on June 28, 1996.

The first amendment was made on March 26, 1998.

The second amendment was made on August 26, 1999.

The third amendment was made on November 18, 1999.

The fourth amendment was made on June 5, 2003.

The fifth amendment was made on June 8, 2006.

The sixth amendment was made on June 20, 2014.

The seventh amendment was made on June 11, 2015.

The eighth amendment was made on May 30, 2019.

Everlight Chemical Industrial Corporation

Regulations Governing Loaning of Funds and Endorsements / Guarantees

The draft was passed by the Board of Directors on March 28, 2019.

1. Goal:

In order to let the operation of fund lending and endorsements/guarantees have rules to adhere to, the Company formulated the Regulations.

2. Scope:

The Company's fund lending and endorsements/guarantees shall all be conducted in accordance with the Regulations.

3. References:

3.1 Article 15 of the Company Act

3.2 The document of Jing-Shang-Zi No. 09002270580 published by the MOEA on Jan. 7, 2002.

3.3 The "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" amended and published by the Financial Supervisory Commission (FSC) in Jin-Guan-Zheng-Shen-Zi No. 1080304826 on Mar. 7, 2019 (hereafter, the Regulations)

3.4 The "Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities" published by Taiwan Stock Exchange Corporation

3.5 Regulations Governing the Preparation of Financial Reports by Securities Issuers

4. Definitions:

4.1 The term "endorsements/guarantees" as used in the Regulations refers to the following:

4.1.1 Financing endorsements/guarantees, including:

(1) Bill discount financing.

(2) Endorsement or guarantee made to meet the financing needs of another company.

(3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.

4.1.2 Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the company itself or another company with respect to customs duty matters.

4.1.3 Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.

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

4.2 Subsidiary and the parent company: as defined in the rules of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

4.3 Net worth: If the Company's financial reports are prepared with IFRS, the so-called net worth in the Regulations is the equity attributable to owners of the parent company in the balance sheet regulated by Regulations Governing the Preparation of Financial Reports by Securities Issuers.

4.4 Publishing and reporting: refer to the information entered in to the designated information reporting website designated by the Financial Supervisory Commission.

4.5 “Date of occurrence”: the date of occurrence mentioned in the Regulations refers to the signing date of contract, date of payment, date of board resolutions, or other dates that can confirm the counterparty of the lending or endorsement/guarantee and monetary amount of the transaction, whichever date is earlier.

5. Contents:

5.1 Lending of capital:

5.1.1 Counterparty of lending:

Under Article 15 of the Company Act, the Company shall not loan funds to any of its shareholders or any other person except under the following circumstances:

- (1) Where an inter-company or inter-firm business transaction calls for a loan arrangement; or
- (2) Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 20 percent of the lender’s net worth.

The term “short-term” as used in the preceding paragraph means one year. The term “financing amount” means the cumulative balance of the Company's short-term financing.

When the foreign subsidiaries that are held direct or indirectly with 100% of voting shares by the Company conduct fund lending, they are not restricted by Term 2 of Paragraph 1. The limit of fund lending and the term period are formulated in accordance with the regulations governing the lending of funds of each subsidiary. If the responsible person violates Provision 1, he or she and the borrower shall take the returning responsibility together; if the company is harmed, he or she shall also take the liability for damages.

5.1.2 Evaluation standards for loaning funds to others:

- (1) Where funds are loaned for reasons of business dealings, whether the amount of a loan is commensurate to the total amount of trading between the Company and its counterparty shall be evaluated.
- (2) Where short-term financing is needed, the reasons for and conditions of providing loans shall be listed.

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

The Company’s total amount of lending shall not exceed 40% of the Company’s net worth, which can also be classified into the following two conditions:

- (1) When funds are lent to the Company’s counterparty in business transaction, the total amount of lending shall not exceed 20% of the Company’s net worth; the individual amount lent to the same enterprise shall not exceed 10% of the Company’s net worth and the business transaction amount between the two party during the most recent year. The so-called transaction amount refers to the higher of purchase or sales amount between the two party.
- (2) When funds are lent to a company that has need for short-term financing, the reason and condition of lending shall be listed and total amount of lending shall

not exceed 20% of the Company's net worth; the individual amount lent to the same enterprise shall not exceed 10% of the Company's net worth.

5.1.4 Term of loan and way of calculating interests:

- (1) The term of loan each time shall not exceed one year since the date of lending.
- (2) The interests of lending are calculated on a daily basis. The interest amount is calculated as the sum of daily loan balance (i.e., total accumulated value) multiplied by the annual rate, and then divided by 365. Annual rate shall not be lower than the highest rate at which the Company borrows short-term funds from financial institutions.
- (3) The loan interests are paid once monthly, except otherwise regulated. The Company notifies the borrower to timely pay interests one week before the agreed payment date.

5.1.5 Procedures for fund lending:

(1) Application:

- a. The borrower shall provide its basic and financial data and fill in the application form, which clearly states the purpose of fund, term of loan and the amount, and then send the form to the Company's Financial Division.
- b. The Company conducts credit checking and reports to the Board of Directors for resolution after the relevant data and the proposed lending condition are reported to the General Manager.

(2) Credit checking and risk evaluation:

- a. After the Company receives the application, the Financial Division will conduct survey and evaluation on the borrower's business, financial condition, solvency and credit, profitability and purpose of borrowing, and prepare relevant reports.
- b. The credit checking evaluation report prepared by the Financial Division shall list clearly the custody way of the borrowing, proposed lending amount, interest rate, term of loan, scheduled lending date and the repayment plan, etc., which shall be reported and examined level by level.
- c. If the borrowing is a continual one, in principle, the credit check shall be done when the borrowing is proposed. If the borrowing is an important or emergency event, it can be conducted anytime depending on actual needs.
- d. If the financial condition of the borrower is good and a CPA has prepared the certification of finance for its annual financial reports, it may continue using the survey report which has been prepared for no longer than one year, and provide it as the reference for lending along with the CPA's certification and review report.

(3) Reviewing procedures for lending:

The Company's reviewing procedures for lending shall include:

- a. The necessity and reasonableness of fund lending to others;
- b. Attachment of the report on credit checking and risk evaluation of the borrower;
- c. Impacts on the Company's operating risk, financial condition and shareholder's equity;

- d. Whether or not to obtain collateral and the evaluated value of the collateral;
 - e. Measuring whether or not the lending amount is necessary with the financial condition of the borrower;
 - f. Whether or not the accumulated lending amount is still within the limit.
- (4) Case evaluation:
- a. Before lending its fund to others, the Company shall prudentially evaluate whether it satisfies the requirements of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and the Regulations. The lending shall not be conducted until it has been submitted to the General Manager for examination and reported to the Board of Directors for resolution, and shall not be decided by others under authorization. Important fund lending shall be agreed by over one half of all members in the Audit Committee, shall be proposed to the Board of Directors for resolution before execution, and shall be conducted in accordance with Provision 5.7.4 ~ 5.7.5.
 - b. The fund lending between the Company and its subsidiaries or each subsidiary shall be submitted to the board for resolution, and the Chairman may be authorized to conduct the lending by batches or rearrange the amount in cycle for the same borrower within a specific quota resolved by the board meeting and in a period no longer than one year.
 - c. For the quota mentioned in b., except satisfying Paragraph 3 of Provision 5.1.1, the authorized lending quota of the Company or its subsidiaries to a single enterprise shall not exceed 10% of the company's net worth in the most recent financial reports.
 - d. When the Company's funds are lent to others, the opinions of each independent director shall be fully considered. The clearly consenting or opposing opinions provided by independent directors shall be stated in the board meeting minutes.
- (5) Examination of loans and notification:
- a. For the lending cases that are decided not to be approved under the board's resolution, the handling personnel of Financial Division shall reply the reasons of rejection to the borrower as soon as possible.
 - b. For the lending cases that are approved by the Board of Directors, the handling personnel of Financial Division shall notify the borrower by correspondence as soon as possible, clearly illustrating the Company's conditions of lending, which include the quota, term of loan, interest rate and guarantor, etc., and asking the borrower to complete the signing procedures within a given period.
- (6) Contracts signing and identity verification:
- a. After approved by the board's resolution, the handling personnel of Financial Division shall prepare contract provisions for the lending cases. After they have been examined by the supervisor and sent to the legal affair unit for certification, the signing procedures are then conducted.

- b. The content of contract shall be consistent with the approved lending conditions. After the borrower and the association guarantor have signed on the contract, the procedures of identity verification are then completed by the handling personnel of Financial Division.

(7) Insurance:

- a. Except for land and securities, all collateral shall be provided with fire insurance and other relevant insurance. The insured amount in principle shall not be lower than the pledged amount of the collateral. In the insurance document, the Company shall be noted as the beneficiary. The name of the target, amount, place of storage, insurance conditions and endorsements listed on the insurance document shall be consistent with the Company's original lending conditions.
- b. The handling personnel shall notify the borrower to renew insurance before the insurance period ends.

(8) Evaluation on collateral value and right setting:

- a. When the Company deals with fund lending affairs, except for subsidiaries it shall obtain the collateral note with equivalent amount. When the borrower provides collateral, it shall complete the procedures for pledge setting. The Company shall also evaluate on collateral value to ensure the Company's claim.
- b. If the borrower provides individuals or companies as guarantors with equivalent capital and credit to replace the collateral provider for the above secured claim, the Board of Directors may refer to the credit checking report of Financial Division to handle the claim. For those who provide companies as guarantors, they shall notice whether their Articles of Incorporation have formulated terms about guarantees.

(9) Fund appropriation:

After the lending conditions have been approved and the borrower has signed the contract, completed the registration of setting pledge for collateral value, and all of the procedures have been double-checked and no errors remain, the fund can then be appropriated.

5.1.6 Subsequent control measures after lending:

- (1) After the loan is appropriated, the Financial Division of the Company shall at least quarterly analyze the borrower's financial, business and credit condition and operation performance, and provide them to the decision-making level for reference.
- (2) If the borrower provides collateral, the Company shall take notice of whether its collateral value has any changes. For example, if the collateral value is lower than the lending amount of the asset, the Financial Division shall propose an evaluation report and submit it to the Chairman to decide the way of handling, and shall follow the Chairman's delegation to handle appropriately.

5.1.7 Handling of repayment and debt overdue:

- (1) The Financial Division shall notify the borrower to repay the due principal and interests one month before the loan is due.

- a. When the borrower repays the loan when it is due, it shall first calculate the payable interests and repay them along with the principal, and then return the debt repaying certifications such as notes, and IUOs, etc. back to the lender.
 - b. If the borrower applies for canceling the pledge, the Company shall first check whether it has loan balance before deciding to approve the cancellation.
- (2) When the loan is due, the borrower shall immediately repay the principal and interests.
 - (3) If the borrower does not follow the plan to pay interests or repay the loan, the Financial Division shall report to the decision-making level and notify the legal affair unit in writing whenever necessary. The borrower will then be punished and asked for debt recovery in accordance with laws based on the collateral or guarantor it provides.

5.1.8 Internal control:

- (1) When the Company conducts fund lending, the Financial Division shall establish a reference book, which lists with details the counterparty of the lending, amount, the date on which the lending is passed by the board, the date on which the lending is conducted and matters that shall be evaluated prudentially in accordance with the Regulations.
- (2) The handling personnel of the Financial Division shall, for the case that he/she is responsible of, arrange and organize the contract, debt certifications such as notes, and collateral documents, insurance documents, and the documents of transaction, and then put them into the custody bag after the loan is appropriated. He/she shall also note on the bag the content of custody and the name of customer, and submit it to the supervisor of Financial Division for examination. After the bag has been inspected without any errors, it will then be sealed. The two parties then sign or stamp on the custody registration book and send it to the supervisor for custody.
- (3) The internal audit personnel of the Company shall at least audit on Operation 5.1 and its status of execution every quarter, and prepare paper record. If any significant violations are found, he/she shall immediately notify the Audit Committee in writing.
- (4) When there are changes made which make the borrower not satisfy the requirements of the Regulations or the loan balance exceed the limit, the Financial Divisions of the Company shall form formulate improvement plans, send them to the Audit Committee, and follow the schedule to complete the improvement.

5.2 Provide endorsements or guarantees to others:

5.2.1 Counterparties that may be provided with endorsements or guarantees:

The Company may provide endorsements or guarantees to the following companies:

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

- (2) Those of more than 50% of voting shares that are directly or indirectly held by the Company;
- (3) Those that directly or indirectly hold more than 50% of the Company's voting shares;

The percentage of the voting shares held direct or indirectly mentioned above shall be calculated with the Company's percentage of directly-held shareholding and the shareholding of the same invested company held by other companies with which the invested shareholding exceeds 50%. The so-called "other companies" above include the other companies themselves and the other one company held with more than 50% of invested shareholding calculated with the above method, and so on for the remaining.

The companies directly or indirectly held by the Company with more than 90% of voting shares may provide endorsements/guarantees for each other, and the amount shall not exceed 10% of the Company's net worth. However, the endorsements/guarantees made between the companies directly or indirectly held by the Company with 100% of voting shares are not limited here.

If the Company takes mutual insurance according to the contractual requirements based on the need of construction project, or the endorsement of the invested company by the all investing shareholders based on their shareholding ratio due to the mutual investment relationship, or the inter-industry association guarantee for fulfilling the obligation of pre-sales house contract according to the Consumer Protection Law, it is not subject to the restrictions set forth in the preceding paragraph and may provide endorsement.

The so-called investing in the previous paragraph refers to when the Company directly invests or invests via a company that is held with 100% of voting shares.

5.2.2 Limit of endorsement/guarantee and the maximum amount permitted to a single borrower

- (1) The total amount of the Company's endorsements/guarantees to other companies and the total amount of endorsements/guarantees the Company and its subsidiaries provide to other companies shall not exceed 25% of the Company's net worth respectively.
- (2) The amount limit of the Company's endorsements to the same company and the amount limit of endorsements the Company and its subsidiaries provide to the same company shall not exceed 10% of the Company's net worth respectively.
- (3) The amount the Company provides endorsements/guarantees to the same enterprise due to business relationship and the amount the Company and its subsidiaries provide endorsements/guarantees to the same enterprise due to business relationship shall not exceed 50% of the Company's net worth respectively or its business transaction amount with the Company in the most recent year. The so-called transaction amount refers to the higher of purchase or sales amount between the two parties.
- (4) If the total amount of endorsements/guarantees that the Company and its subsidiaries have formulated reaches 5% of the Company's net worth, the

Company shall illustrate its necessity and reasonableness on the shareholders' meeting.

5.2.3 Procedures for endorsements/guarantees

(1) Application

When the Company conducts endorsements/guarantees, the company that is provided with endorsements/guarantees shall fill in the application form, provide its basic information and financial data, and apply to the Company's Financial Division. The Financial Division shall refer to Provision 5.1.5(2)a and 5.2.3(2) when conducting credit checking and risk evaluation.

After the handling personnel of the Financial Division has summarized the relevant information above and the results of evaluation, he/she shall send them to the General Manager for preliminary examination and then execute in accordance with the decision-making and authorization level mentioned in Provision 5.2.3(3).

(2) Procedures of reviewing:

The Company's procedures of reviewing endorsements/guarantees shall include:

- a. The necessity and reasonableness of the endorsements/guarantees;
- b. The credit checking and risk evaluation on the counterparty of the endorsements/guarantees;
- c. Impacts on the Company's operating risk, financial condition and shareholder's equity;
- d. Whether or not to obtain collateral and the value evaluation of the collateral;
- e. Measuring whether or not the amount of endorsements/guarantees is necessary with the financial condition of the companies that are provided with the endorsements/guarantees; and
- f. Whether or not the accumulated endorsements/guarantees amount is still within the limit.

(3) Decision making and hierarchy of authorization:

The matters of endorsements/guarantees made by the Company shall not be conducted until they have been passed and resolved by the Board of Directors. However, to satisfy the need of timeliness, the Chairman may be authorized by the Board of Directors to resolve in advance in accordance with relevant rules of the Regulations within the limit of NT\$ 50,000,000 for a single deal. Then, the deal will be reported to the next board meeting for recognition. Important endorsements/guarantees shall be agreed by over one half of all members in the Audit Committee, shall be proposed to the Board of Directors for resolution before execution, and shall be conducted in accordance with Provision 5.7.4 ~ 5.7.5.

Before the subsidiaries directly or indirectly held by the Company with more than 90% of voting shares provide endorsements/guarantees in accordance with Paragraph 3 of Provision 5.2.1, they shall report to the Company's Board of Directors for resolution. However, the endorsements/guarantees made between the companies directly or indirectly held by the Company with 100% of voting shares are not limited here.

When the Company provides endorsements/guarantees to others, the opinions of each independent director shall be fully considered. The clearly consenting or opposing opinions provided by independent directors shall be stated in the board meeting minutes.

5.2.4 Usage of stamps and custody procedures

- (1) The Company shall set the stamp that is registered to the MOEA as the exclusive stamp for endorsements/guarantees. The stamp shall be kept in custody by a dedicated personnel agreed by the Board of Directors, and the same applies when changes are made. When conducting endorsements/guarantees, the personnel shall use the stamp or sign on notes in accordance with the “Procedures for Bank Deposit Withdrawal and Stamps Management (9-A8-06)” and “Procedures for Handling Cash Expenditure Operation (0-8A-103)”.
- (2) If the Company provides endorsements/guarantees for foreign companies, the letter of guarantee provided by the Company shall be signed by the Board of Directors.

5.2.5 Subsequent control measures after lending

Cancellation of endorsements/guarantees:

- (1) If there is any need to cancel the certificates or notes related to endorsements/guarantees due to debt liquidation or renewal, the company that is provided with the endorsement/guarantee shall prepare formal documents and letters and send the certificates related to the endorsement/guarantee to the Company’s Financial Division to have the word, “cancellation,” stamped on them before being returned back. The application forms and letters are then kept for reference.
- (2) The Financial Division shall list the status of cancellation of endorsements/guarantees into the reference book anytime.

5.2.6 Operation conducted when exceeding the limit of endorsement/guarantee

If the Company has the need to have the amount exceeding the quota regulated by the Regulations and satisfies the conditions regulated by the Regulations, it shall be approved by the Board of Directors and over half of the directors shall provide registered association guarantee on the loss that may be derived from the Company’s exceeding amount. The Regulations shall also be amended and reported to the shareholders’ meeting for recognition. If the shareholders’ meeting does not approve, a plan shall be formulated to cancel the exceeding amount within a given period.

When the Board of Directors participates in the discussion defined in the previous paragraph, the opinions of each independent director shall be fully considered. The clearly consenting or opposing opinions provided by independent directors shall be stated in the board meeting minutes.

5.2.7 Operation conducted when the counterparty of the endorsement/guarantee does not satisfy the regulations or when the amount exceeds the limit:

When there are changes made which make the counterparty of the endorsement/guarantee not satisfy the regulations or the amount exceed the limit, the Financial

Divisions of the Company shall form formulate improvement plans, send them to the Audit Committee, and follow the schedule to complete the improvement.

5.2.8 Internal control:

(1) Reference book of endorsement/guarantee:

The Financial Division shall establish the reference book for the endorsement/guarantee, which lists with details the counterparty, amount, the date on which it has passed by the Board of Directors or resolved by the Chairman, the date of endorsement/guarantee, matters that shall be prudentially evaluated in accordance with Provision 5.2.3(2), the content of collateral and its evaluated value, and the condition and date of terminating the responsibility of endorsement/guarantee, etc.

(2) The internal audit personnel of the Company shall at least audit on Operation 5.2 and its status of execution every quarter, and prepare paper record. If any significant violations are found, he/she shall immediately notify the Audit Committee in writing.

5.3 Information disclosure

5.3.1 Procedures for publishing and reporting

- (1) The Company shall enter the fund lending balance of the Company and its subsidiaries in the previous month into the MOPS before the tenth of each month.
- (2) If the Company's fund lending satisfies any of the following standards, it shall enter the information into the MOPS within two days after the date of occurrence:
 - a. The fund lending balance of the Company and its subsidiaries reaches more than 20% of the Company's net worth in the most recent financial report.
 - b. The fund lending balance of the Company and its subsidiaries to a single enterprise reaches more than 10% of the Company's net worth in the most recent financial report.
 - c. The increased fund lending balance of the Company and its subsidiaries reaches more than NT\$ 10,000,000 and 2% of the Company's net worth in the most recent financial report.
- (3) If the Company's subsidiaries are not domestically publicly listed companies and have matters that shall be published and reported according to Provision 5.3.1(2) c, they shall be done by the Company.

5.3.2 The time limit, contents and standards that shall be published and reported:

- (1) The Company shall report the endorsement/guarantee balance of the Company and its subsidiaries in the previous month and enter it into the MOPS before the tenth of each month.
- (2) If the Company's endorsements/guarantees satisfy any of the following standards, it shall enter the information into the MOPS within two days after the date of occurrence.
 - a. The endorsement/guarantee balance of the Company and its subsidiaries reaches more than 50% of the Company's net worth in the most recent financial report.

- b. The endorsement/guarantee balance of the Company and its subsidiaries to a single enterprise reaches more than 20% of the Company's net worth in the most recent financial report.
 - c. The amount the Company and its subsidiaries provide endorsement/guarantee to a single enterprise reaches more than NT\$ 10 million, and the total amount of the book value of investment of endorsement/guarantee and the Equity Method and the balance of the fund lending reaches more than 30% of the net worth in the Company's most recent financial report.
 - d. The increased endorsement/guarantee balance of the Company and its subsidiaries reaches more than NT\$ 30,000,000 and 5% of the Company's net worth in the most recent financial report.
- (3) If the Company's subsidiaries are not domestically publicly listed companies and have matters that shall be entered into the MOPS according to Provision 5.3.2(2)d, they shall be done by the Company.

5.4 Supervision and management on subsidiaries:

5.4.1 Controlling procedures for fund lending:

- (1) The fund lending of the Company's subsidiaries shall be conducted in accordance with the following regulations.
 - a. Except for the other subsidiaries of the Company, the subsidiary shall not lend funds to others.
 - b. If the subsidiary lends to other subsidiaries of the Company, it shall conduct the lending in accordance with the company's "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees".
- (2) If the subsidiary lends to other subsidiaries of the Company, it shall prepare a detail table of fund lending to other companies of the previous month before the 5th (but not on) of every month and send it to the Company's Financial Division.
- (3) When the Company's audit personnel conduct audit at the subsidiary according to the annual audit plan, they shall also audit on the subsidiary's operating procedures of fund lending and the status of execution. If any mistakes are found, they shall continue tracing its improvements, prepare a tracing report, and submit it to the Chairman.

5.4.2 Controlling procedures for conducting endorsements/guarantees:

- (1) In principle, the Company's subsidiaries shall not conduct endorsements/guarantees except for the company's customs duty. However, if there is special need for endorsements/guarantees, the Regulations and the subsidiaries' "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees" shall be amended and shall be passed by the Boards of Directors of the Company and the subsidiaries respectively.
- (2) If the subsidiaries have endorsements/guarantees, they shall prepare a detail table of endorsements/guarantees to other companies of the previous month before the 10th (but not on) of every month and send it to the Company's Financial Division.

(3) If the counterparty of the endorsement/guarantee is a subsidiary with net worth lower than one half of paid-in capital, the counterparty shall propose an “improvement plan” and submit it to the Company’s Chairman for approval. For subsequent retrospection, the Financial Division shall at least quarterly analyze the borrower’s financial, business and credit condition and operation performance, and provide them as the reference for decision making

(4) When the Company’s audit personnel conduct audit at the subsidiary according to the annual audit plan, they shall also audit on the subsidiary’s operating procedures of endorsements/guarantees and the status of execution. If any mistakes are found, they shall continue tracing its improvements, prepare a “tracing report,” and submit it to the Chairman.

If the stock of the subsidiary has no face value or the face value per share in not NT\$ 10, the paid-in capital calculated according to Provision 5.4.2(3) shall be calculated with capital stock plus capital surplus - additional paid-In capital.

5.5 Others

5.5.1 Recognition of allowance for doubtful account:

The Company shall evaluate the status of fund lending, recognize adequate allowance for doubtful account, appropriately disclose relevant information in financial reports, and provide relevant data for CPA to execute necessary auditing process.

5.5.2 Information disclosure:

The Financial Division shall evaluate or recognize the contingent loss of endorsements/guarantees, appropriately disclose relevant information of endorsements/guarantees in financial reports, and provide relevant data for CPA to execute necessary auditing process.

5.6 Penalty

If the manager or related personnel conducting fund lending or endorsements/guarantees violates the Standards and the Regulations, they shall be reported to be examined in accordance with the Company’s personnel management rules and the Handbook for Employees, and shall be penalized according to the severity of the matter.

5.7 Implementation and amendment:

5.7.1 The formulation or amendment to the Regulations shall be conducted in accordance with Provision 5.7.3, and shall be sent to the Audit Committee and proposed to the shareholders’ meeting for approval. If there are any directors rendering disputes and the disputes are recorded or made into written statements, the Company shall send the data of disputes to the Audit Committee and propose to the shareholders’ meeting for discussion.

5.7.2 When the Company proposes a discussion about the Regulations on the board meeting, the opinions of each independent director shall be fully considered. If there are any opposing or retention opinions provided by independent directors, they shall be stated clearly in the board meeting minutes.

5.7.3 When there are formulations or amendments to the Regulations, they shall be agreed by over one-half of all members of the Audit Committee, and shall be proposed to the Board of Directors for resolution.

- 5.7.4 If the regulations have not been agreed by over one-half of all members in the Audit Committee, they may be conducted under the approval of over two thirds of all directors, and the resolutions of the Audit Committee shall be clearly stated in the board meeting minutes.
- 5.7.5 The so-called all members in the Audit Committee and all directors in Provision 5.7.4 are counted based on those who are still in office. If there are matters not completed in the Regulations, they shall be conducted in accordance with relevant laws and regulations.
- 5.8 The Regulations were formulated on June 8, 1996.
The first amendment was made on Jun. 13, 2008.
The second amendment was made on Jun. 12, 2009.
The third amendment was made on Jun. 9, 2010.
The fourth amendment was made on Jun. 11, 2013.
The fifth amendment was made on June 11, 2015.
The sixth amendment was made on May 30, 2019.

Articles of Incorporation, Everlight Chemical Industrial Corporation

Passed by the Shareholders' Meeting on June 8, 2017

Chapter 1 General Rules

Article 1: The Company is organized and named "Everlight Chemical Industrial Corporation" in accordance with the regulations of the Company Act of Taiwan, R.O.C.

Article 2: The Company engages in the following businesses:

1. C802200 Paints, Varnishes, Lacquers, Dyeing Mills and Dyestuff Manufacturing;
2. C802120 Industrial Catalyst Manufacturing;
3. C802990 Other Chemical Products Manufacturing;
4. C802041 Drugs and Medicines Manufacturing;
5. C802060 Animal Use Medicine Manufacturing;
6. C802100 Cosmetics Manufacturing;
7. C801990 Other Chemical Materials Manufacturing;
8. CA04010 Metal Surface Treating;
9. C801010 Basic Industrial Chemical Manufacturing;
10. F401010 International Trade;
11. C199990 Other Food Manufacturing Not Elsewhere Classified;
12. C802110 Manufacturing of Cosmetics Ingredients;
13. F108051 Wholesale of Cosmetics Ingredients;
14. C114010 Food Additives Manufacturing;
15. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3: The Company is located in Taipei City and may establish branches, factories, representative offices or sales departments whenever necessary. The establishment and abolishment are all conducted in accordance with the resolutions of the Board of Directors.

Article 4: The publishing of the Company is conducted in accordance with Article 28 of the Company Act.

The total investment amount of the Company is not limited to the restriction of 40% of the Company's paid-in capital as defined in the Company Act.

Chapter 2 Shares

Article 5: The capital amount of the Company is NT\$ 8 billion, with total share number of 0.8 billion and NT\$ 10 per share. 10 million shares are employee stock option certificates and are issued in batches by the Board of Directors under authorization. If the issue price of the Company's employee stock option certificates is lower than the common stock closing price of the issuing Japanese company, the Company must have obtained the consent of at least two-thirds of the voting rights present at the shareholders' meeting attended by shareholders representing over one half of total issued shares.

To transfer shares to employees at less than the average actual share repurchase price, before the transfer the Company must have obtained the consent of at least two-thirds of the voting rights present at the most recent shareholders' meeting attended by shareholders representing over one half of total issued shares.

Article 6: The Company's shares are all registered and shall be signed or stamped by at least three directors of the Company. The shares are then issued after been certificated by the competent authority or authorized issuance registration institution.

The shares issued by the Company do not have to be physically printed, and should be registered with the centralized securities depository enterprise.

Article 7: The Company conducts shareholder service operation in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies" mandated by the competent authority.

Article 8: The change of share account name shall not be made within 60 days before a general shareholders' meeting, within 30 days before an ad hoc shareholders' meeting, or within 5 days before the date of the Company's decision to distribute dividends and bonuses or other benefits.

The periods specified in the preceding paragraph shall commence from the applicable convening date of shareholders' meeting or from the applicable record date, as the case may be.

Chapter 3 Shareholders' Meeting

Article 9: The shareholders' meetings of the Company can be classified as general and ad hoc shareholders' meetings.

1. General shareholders' meeting: A general shareholders' meeting will be convened within 6 months after the end of each fiscal year, and each shareholder will be notified 30 days before the meeting by the Board of Directors.

2. Ad hoc shareholders' meeting: Ad hoc shareholders' meetings may be convened when necessary in accordance with laws, and each shareholder will be notified 15 days before the meeting.

Article 10: The chairman of the shareholders' meeting shall be the Company's Chairman. If the Chairman is on leave, the Vice Chairman serves as the proxy.

Article 11: If a shareholder cannot attend the shareholders' meeting due to several reasons, he/she may appoint a proxy to attend the shareholders' meeting in his/her/its behalf by executing a power of attorney printed by the Company stating therein the scope of power authorized to the proxy. When a person acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of issued shares; otherwise, the portion of excessive voting power shall not be counted.

Article 12: Except otherwise regulated by relevant laws, each shareholder of the Company has one vote per share.

Article 13: Unless otherwise specified by the Company Act, the resolutions of the shareholders' meeting require the attendance of shareholders representing more than a half of all shares issued, and is passed if more than a half of the attending shareholders give their consent.

Article 14: The resolution items of the shareholders' meeting shall be recorded as the meeting minutes, which list clearly the date and time period of the meeting, resolution items, name of the chairman, method of resolution and number of attending shareholders, and number of representative shares. The minutes are then signed and stamped by the chairman of the shareholders' meeting, and distributed to each shareholder within 20 days after the shareholders' meeting. The distribution may be made by publishing.

Chapter 4 Directors and Audit Committee

Article 15: The Company has 7~11 directors. Among the above directors, three independent directors shall be elected among persons with legal capacity from the shareholders' meeting.

The total registered shares held by all the directors and supervisors shall not be less than a certain percentage of total issued shares of the Company. The total registered shares held by the directors and supervisors mentioned in the above paragraph shall not be less than the percentage specified by the competent authority.

The election of directors shall be done with the candidate nomination system. Shareholders shall elect them from the list of director candidates.

The professional qualifications, shareholdings, concurrent position restrictions, nomination and selection methods of independent directors and other matters to be complied with shall be handled in accordance with the relevant provisions of the securities authorities and the Company.

Article 16: The Company has set up the Audit Committee and other functional committees.

The Audit Committee is composed of the entire independent directors, one of whom is the convener, and at least one of whom shall have accounting or financial expertise.

The exercise of power of the Audit Committee and other related matters shall be set forth in accordance with the relevant provisions of the securities authorities and the Company.

Article 17: The directors shall serve for a term of three years and may all be re-elected. The term of office may be extended at the expiration of the shareholders' meeting until the re-election date of the general shareholders' meeting.

Article 18: If a director has transferred more than one half of the total number of shares of the Company he/she holds at the time of his/her election as such, then his/her election as a director shall become invalid. When the number of vacancies in the Board of Directors equals to one third of the total number of directors, the Board of Directors shall call, within 60 days, an ad hoc shareholders' meeting to elect succeeding directors to fill the vacancies. The term of office of the elected succeeding directors is limited to the remaining term of the prior directors.

If the directors are re-elected before the last term expires, for the elected directors who have transferred more than one half of the total number of shares of the Company he/she holds at the time of his/her election as such; or had transferred more than one half of the total number of shares he/she held within the share transfer prohibition period prior to the convention of a shareholders' meeting, then his/her election as a director shall become invalid.

Article 19: The board meeting shall be attended by more than two-third of the directors, and one of the directors shall be elected as the Chairman by the consent of over one-half of the attending directors. One Vice Chairman can also be elected by and among the directors in the same way in accordance with the Articles of Incorporation. The Chairman represents the Company externally. If the Chairman cannot exercise his or her duties due to several reasons, the Vice Chairman can serve as the proxy. If there is no Vice Chairman or the Vice Chairman is also on leave or cannot exercise his or her duties due to several reasons, the Chairman may designate one director to be the proxy. If the Chairman has not designated a proxy, the proxy may be elected by and among the directors.

Article 20: The operation goals and other important matters of the Company are decided by the Board of Directors. Board meetings are convened by Chairman, who also serves as the chairperson of the board meeting. If Chairman is absent, the meeting affairs are handled in accordance with the regulations mentioned in the previous paragraph. The convention of a board meeting may be done in correspondence, by E-mail or FAX, in order to inform each director.

Article 21: The resolutions of the Board of Directors shall be made by the consent of over one-half of the attending directors and the board meeting shall be attended by more than one-half of the directors.

The meeting minutes of the board shall be signed or stamped by the chairperson and kept in the Company, and shall be distributed to each director within 20 days after the board meeting.

If a director cannot attend the meeting due to several reasons, he or she may present a proxy form stating the authorization scope of the convening reasons and the designation of other director as the proxy. The proxy mentioned above is limited to serve as the proxy for only one person.

Article 22: The remuneration of the Company's directors is decided by the Board of Directors under authorization based on their devotion to the Company's operation and the value of their contribution, no matter the Company realizes profits or losses, and also based on the compensation level of the industry peers.

The Company may purchase liability insurance for the legal compensation liabilities of its directors and important staff within the scope of their business during their term of office.

Chapter 5 Managers

Article 23: The Company may appoint one general manager, and several vice general managers, which shall be consented by over one-half of the directors.

Article 24: The General Manager adheres to the commands of Chairman and the resolutions of the Board of Directors to deal with the Company's daily affairs.

Article 25: The General and Vice General Manager shall not concurrently serve in equivalent positions in other companies, and shall not engage in similar businesses by themselves or for others; however, this restriction is relaxed if over one half of the directors have agreed.

Chapter 6 Accounting

Article 26: During Jan. 1 and Dec. 31 of the Company's fiscal year, the board shall prepare the following statements and reports and submit to the general shareholders' meeting for recognition: 1. business report; 2. financial statements; and 3. proposals of earnings distribution or loss compensation.

Article 27: If the Company has profits in the current year, it shall appropriate 5% as employee remuneration and no more than 2% as director remuneration. However, when the Company still has accumulated losses, the amount for compensation should be retained in advance.

The parties whose remuneration is paid with stocks or cash defined in the preceding paragraph include the employees of the subordinate companies that are reported to and passed by the Board of Directors.

Article 28: If the Company realizes any earnings in the current year, it shall first pay taxes and reimburse previous losses. If there are any remaining earnings, they shall be appropriated in the following orders: 1. 10% of the legal reserve; 2. special reserve in accordance with relevant laws and regulations (the reversal shall also be conducted in accordance with relevant rules); 3. other accumulated undistributed earnings in the beginning period may serve as distributable earnings; however, a certain amount shall be retained depending on the business condition before distributed as shareholders' bonuses, and shall not be distributed until the motion of earnings distribution is proposed by the Board of Directors to the shareholders' meeting and has been passed.

Article 29: The Company's dividend policy is in line with the needs of the Company's various business development investments and takes into account the interests of shareholders. In no other special circumstances, the distributed dividends are no less than 50% of the earnings after-tax after deducting legal reserve.

The annual cash dividend is not less than 25% of the total dividends.

The motion of earnings distribution stated in Article 28 shall be conducted in accordance with this Article.

Chapter 7 Additional provisions

Article 30: The Company may make external guarantees for its industry peers or affiliates regarding relevant businesses.

Article 31: If there are incomplete matters in the Articles of Incorporation, they are handled in accordance with the Company Act and other relevant laws and regulations.

Article 32: The Articles of Incorporation were formulated on Aug. 28, 1972.

The first amendment was made on Jul. 28, 1973.

The second amendment was made on Nov. 16, 1974.

The third amendment was made on Apr. 15, 1975.

The fourth amendment was made on May 28, 1977.

The fifth amendment was made on Jun. 18, 1978.

The sixth amendment was made on Mar. 17, 1979.

The seventh amendment was made on Apr. 1, 1980.

The eighth amendment was made on Mar. 14, 1981.

The ninth amendment was made on Mar. 20, 1982.
The tenth amendment was made on Mar. 26, 1983.
The eleventh amendment was made on Mar. 10, 1984.
The twelfth amendment was made on Oct. 3, 1985.
The thirteenth amendment was made on Mar. 28, 1986.
The fourteenth amendment was made on Apr. 11, 1987.
The fifteenth amendment was made on Apr. 26, 1988.
The sixteenth amendment was made on Apr. 27, 1989.
The seventeenth amendment was made on Apr. 27, 1990.
The eighteenth amendment was made on May 24, 1991.
The nineteenth amendment was made on May 15, 1992.
The twentieth amendment was made on May 21, 1993.
The twenty-first amendment was made on May 26, 1994.
The twenty-second amendment was made on May 26, 1995.
The twenty-third amendment was made on May 24, 1996.
The twenty-fourth amendment was made on May 22, 1997.
The twenty-fifth amendment was made on May 22, 1998.
The twenty-sixth amendment was made on May 20, 1999.
The twenty-seventh amendment was made on May 19, 2000.
The twenty-eighth amendment was made on May 18, 2001.
The twenty-ninth amendment was made on Jun. 21, 2002.
The thirtieth amendment was made on Jun. 5, 2003.
The thirty-first amendment was made on Jun. 16, 2005.
The thirty-second amendment was made on Jun. 8, 2006.
The thirty-third amendment was made on Jun. 13, 2008.
The thirty-fourth amendment was made on Jun. 12, 2009.
The thirty-fifth amendment was made on Jun. 9, 2010.
The thirty-sixth amendment was made on May 24, 2011.
The thirty-seventh amendment was made on May 24, 2012.
The thirty-eighth amendment was made on Jun. 11, 2013.
The thirty-ninth amendment was made on Jun. 20, 2014.
The fortieth amendment was made on Jun. 11, 2015.
The forty-first amendment was made on Jun. 15, 2016.
The forty-second amendment was made on Jun. 8, 2017.

Disclose the shareholdings of directors in accordance with Article 3 of the Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies

According to Term 5, Provision 1 and Provision 2 of Article 2 of “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies”: If the company’s paid-in capital lies in NT\$ 4 billion ~ NT\$ 10 billion, the total shareholding of registered shares held by the whole directors shall not be lower than 4% and not lower than 0.4% for the whole supervisors. However, if the total shareholding held by the whole directors or supervisors calculated with the percentage is lower than the highest total shareholding in the previous term, it shall be calculated with the highest total shareholding in the previous term. The shareholdings of the independent directors elected by publicly listed companies are not calculated into the total amount in the previous paragraph; if two and more independent directors are elected, the shareholdings of the whole directors and supervisors except for independent directors calculated with the ratios in the previous paragraph are cut down to 80%.

The Company’s paid-in capital was NT\$5,477,522,260 (547,752,226 shares). The total registered shares held by all directors shall not be less than 17,528,071 shares.

The shareholding of individual and overall directors listed on the shareholders name list as of the book closure date of the shareholders’ meeting:

Apr. 1, 2019

Title	Name	The shareholding listed on the shareholders name list as of the book closure date	
		Shareholding	Shareholding ratio %
Chairman	Chen, Chien-Hsin	6,730,000	1.23%
Director	Chen, Ding-Chuan	77,500,000	14.15%
Director	Chen, Ding-Chi	14,675,254	2.68%
Director	Chen, Wei-Wang	6,300,000	1.15%
Director	Chen, Chien-Ming	3,653,192	0.67%
Director	Lee, Yung-Long	2,281,007	0.42%
Director	Ken, Wen-Yuen	2,951,405	0.54%
Director	Tsai, Kuang-Feng	312,636	0.06%
Independent director	Wang, Hsiu-Chun	0	0%
Independent director	Hung, Ying-Cheng	0	0%
Independent director	Wu, Chung-Fern	0	0%
Total shareholding of all directors		114,403,494	20.89%

The impact of the stock grants proposed by the shareholders' meeting on the Company's operating performance and EPS

The Company did not distribute stock dividends and thus is not applicable here.

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