

東聯化學

ORIENTAL UNION CHEMICAL CORPORATION



Handbook for **2019** Annual Shareholders' Meeting

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Oriental Union Chemical Corporation (OUCC)

2019 Annual General Shareholders' Meeting

Date: Tuesday, 11 June 2019

Time: 9:00 a.m. Taipei time

Place: Auditorium in the Taipei Hero House, No. 20, Changsha Street, Section 1, Taipei, Taiwan

Meeting Agenda

Call the meeting to order

Chairperson takes chair

Chairperson remarks

Reporting items:

1. 2018 business report
2. 2018 financial statements
3. The Audit Committee's review report of 2018 business report and financial statements
4. 2018 employees' compensation and Directors' remuneration
5. To report the amendments to the "Codes of Ethics" and "Best Practice Principles of Ethical Corporate Management" for Oriental Union Chemical Corporation

Approval items:

1. To accept 2018 business report and financial statements
2. To approve the proposal for distribution of 2018 profits

Discussion items:

1. To amend the company bylaw of "Procedures for Acquisition and Disposal of Assets" of Oriental Union Chemical Corporation
2. To amend the company bylaw of "Procedures for Capital Lending to Others" of Oriental Union Chemical Corporation
3. To amend the company bylaw of "Procedures for Endorsements and Guarantees" of Oriental Union Chemical Corporation

Extemporaneous motion

Meeting adjourned

Reporting items

1. 2018 Business Report

A. Foreword

The Overlook of the Economic Growth and Petrochemical Industry in 2018

Since the global economy recovered at the H2/2016 and sliding down after reaching its peak at the H2/2017, the 2018 global economic growth came to 3.2%, slightly lower than the previous year at 3.3%, yet remained still the second best since 2011.

As outstanding as the 2018 economic growth rate of the US increased from 2.2% in 2017 to 2.9%, the China economic growth rate in 2018, on the contrary, dropped from 6.9% in 2017 to 6.7%, due to the impact of the China-US Trade War, which will lead to bilateral damages in the long run, as the consumers' purchasing power will be weakened by the costly merchandise charged under high tariff duty.

According to the analyses of the Industrial Technology Research Institute, the major factors affecting the global petrochemical industry in the recently years include (1) the development of shale gas/oil in the USA; (2) the development of the coal chemistry industry in China; (3) the crude oil prices, among which the crude oil prices were concluded as most crucial.

Since the end of September 2018, the factors such as global crude oil oversupply, the worry over the China-US Trade War, the uncertainty of Brexit, and the record-breaking of the US shale oil production have led to the collapse of crude oil prices in Q4/2018, resulting in Brent oil price plunging from USD87 to USD50 per barrel. The projections of 2019 oil prices by the investing banks vary.

Though the China-US Trade War has no direct impact on the petrochemical industry at the instant, it shall slow down the global economic growth, decreasing the growth of demand for petrochemical products and inevitably resulting in the market oversupply, and jeopardize the development of the global trade, economy and the petrochemical industry in the long run.

In view of the 2018 economic growth of Taiwan, which was 2.62% slightly lower than 3.08% in 2017, the gross output value of Taiwan petrochemical industry reached NTD1.85 trillion in 2018 with an annual growth rate of 6.2%, which could be attributed to the Brent crude oil prices, sustaining at about USD70 per barrel prior to the Q4/2018. The revenue growth and profit of the associated enterprises however remain the same as for 2017.

As China and the USA are two major markets for Taiwanese petrochemical products, the impact of China-US Trade War may be minor in the short term, owing to most of the supply is to meet the Chinese domestic demand. However, for the suppliers who rely mainly on export shall suffer from the overall economy decline of China in the intermediate and long run.

OUCC's Operating Results in 2018

Under such constantly changing environment, OUCC on the both sides of the Strait have been dedicating in the improvement of manufacturing processes, cost down, competitiveness, and striving for the business model transformation to develop high value-added, high tech, and green eco-friendly products to cope with the challenges.

In spite of the thriving markets of the first three quarters in 2018, which resulted in the rather good performance in revenues and profits, the overall profits dwindled on account of the plunge in raw materials and products prices in Q4. The annual revenues topped the new height, with consolidated revenue totaled NTD33 billion, an increase of 11% compared to the previous year, and the net operating income NTD3.3 billion of a 10% net income rate.

The net income attributable to OUCC was NTD1.75 billion, the earning per share (EPS) NTD2.01, and the return on equity (ROE) 11.8%.

B. OUCC's Operating Results in 2018

Safety, Health, and Environment

OUCC values industrial safety, health, environmental conservation, and complies with all the related ISO management regulations and accomplishes the efficient on-job training. Our cumulated safety man-hour in Linyuan plant reached 3.69 million hours in 2018. Furthermore, we have the SHE related projects in process and technology continue at all time.

The projects undertaken in 2018 include the wastewater recycling system which aims to reuse approx. 70% of the current effluent water in Linyuan plant, upon its completion and activation in 2019, to achieve our goal on water resources conservation. Moreover, the waste liquor recovery of potassium iodide from our Ethylene Carbonate (EC) plant will reduce 400 MT of liquid waste per year. For energy conservation and carbon reduction, a lithium bromide double effect absorption chilling water system for our Ethylene Oxide/Ethylene Glycol (EOG) plant is installed and shall have annual power saving by 3.75 million kWh.

All the above-mentioned efforts and pursuit of OUCC aim to minimize OUCC's impact on the environment to maintain a balanced development of the two.

Ethylene Glycol Business

The Ethylene prices remained high in H1/2018, as the market supply was tight due to the shut-down of naphtha crackers in Northeastern Asia. In the meanwhile, the prolonging ban on the usage of waste plastics in China led to the high demand for the downstream polyester business. In H2/2018, the EG prices plummeted following the weakened demand of the downstream, resulted from the drastic fall of crude oil and ethylene prices as the overall economic environment changed.

The total volume of EG produced in 2018, combining both OUCC Linyuan plant and FUPY Yangzhou plant, reached 742 thousand MT, a 3.6% growth comparing to 2017, and sold 784 thousand MT, of a 7% growth rate; whereas the combined EO total volume produced was 738 thousand MT, of a 4.5% growth rate, setting new historical heights for EG and EO.

Specialty Chemicals Business

The total volume of specialty chemicals produced in 2018, combining OUCC & FUPY, was 166 thousand MT, and sold 164 thousand MT, including 18 thousand MT of new product, ethylene glycol monobutyl ether (EB).

With EA new capacity from the Middle East and China launching the market, the off-balance EA global market deteriorated in 2018. OUCC's EA business strategy is to meet customers' requirements domestic and abroad, to balance the production and sales and ensure stable supply. The EOD sales volume of Linyuan plant increased 21% in growth, turning EOD business from loss to profit.

GAS Business

Although being in a steady growth in H1/2018, the GAS demand of Taiwan in H2/2018 decreased owing to the production reduction of the solar photovoltaic and the LCD panel industries affected by the fierce competition and stagnant demand in China. The prices of liquefied oxygen and nitrogen of China GAS industry kept soaring as steel mills were forced to shut down for failing to comply with the environmental laws and regulations; while the market demand decrease 20% comparing to the previous year, on account of the impact of China-US Trade War and the new policy on the solar photovoltaic.

With the vantage of nitrogen pipeline extending in Linyuan, our pipeline gas business increased 27% in comparison with 2017. To increase the liquefied gas business, GAS business is eagerly marketing the diverse industries, to avoid the risk of cyclic downfall of the industry.

The combined oxygen gas production volume in 2018 from OUCC Linyuan plant and TDIY Yangzhou totaled 584 thousand MT, which include 46 thousand MT for sales and the rest for internal use; nitrogen gas production volume totaled 411 MT, of which 364 thousand MT were sold.

C. 2019 Goals and Future Prospects

OUCC's Goals for 2019

The overall EG production loading in 2019 of Linyuan and Yangzhou will remain high with production volume planned at 805 thousand MT, of 8% increase in growth, along with the persistent efforts in unit production cost down. With the successive production launch of the Asian naphtha crackers at the H2/2019, the ethylene price is expected to be stable. And, with aid of a steady downstream demand, the sales volume is expected to increase.

To enlarge our market share, OUCC keeps marketing ethanolamines (EA), ethylene glycol monobutyl ether (BCS), as well as electronic-grade EA, and developing the applications of ethylene carbonate (EC) to lithium batteries and other industries. The lately developed polyols and other high value-added products aim to launch market in 2019. OPYC in Yangzhou will continue to enlarge its weighing proportion in self-owned products, and expand the markets of the high molecular weight and functional EO derivative products.

OUCC will promote relentlessly its pipeline gas business in Linyuan Industrial Park and Yangzhou Chemical Industrial Park to increase its liquefied gas marketing channels, and advance its sales in electronic-, food-, and medical-grade carbon dioxide.

Economy Perspective for 2019

The influences of the China-US Trade War and the realization of Brexit may expand to other economies and become threats to the global economic development.

According to the IMF forecast, the global economic growth rate in 2019 would be 3.5%, while that of the US will drop back to 2.7%, and China down to 6.1%, as the second lowest in China since 1990 at 3.2%. Same with Taiwan, as the 2019 economic growth rate will slide down to 2.18% from 2.62% in 2018.

Owing to the highly integrated industries between Taiwan and China, the apparent impact of the China-US Trade War, should it keep augmenting, shall not only hit the global and China economies, but also Taiwan and its petrochemical industry.

OUCC's Operational Perspective

Facing the severe external challenges, OUCC shall successively strive for the process improvement, product development, and the stabilization of raw material supply. To secure the storage logistics of raw materials, a cryogenic ethylene storage tank on the Intercontinental Container Terminal of the Port in Kaohsiung is undertaken as a joint venture project of OUCC.

OUCG is also engaged proactively in the development of various high value-added EO derivatives to be used in polyurethane products, optical coating, electronics process auxiliaries, textile auxiliaries, construction and architecture, medical therapy, cosmetics, to reduce the cyclic impacts of the industries. To meet the diverse demands of the customers, we continue polyol development to offer the cutting-edge products of OUCG, which manifest our efforts in speeding transformation into a specialty chemical company producing functional, closer to end-users, and customer-oriented products.

Furthermore, OUCG continues to elevate its energy efficiency, focus on green production, and plans to install a cogeneration unit and the boiler emission improvement equipment to reduce CO₂ emission 120,000 MT annually, in hopes of achieving our mission in corporate sustainability, while pursuing profit and growth.

To seek for the opportunities to obtain the EG or ethylene via ethane cracking from US shale gas has been our goal. With Far Eastern Group's acquisition of the polyester plants in West Virginia and Texas in 2018, our destination become clear. The attention to be drawn will be the impact on EG oversupply in North America and the high tariff duty China imposes upon the USA.

Chairman



President



Chief Accountant



2. 2018 Financial Statements

The 2018 independent auditors' reports and financial statements by Deloitte & Touche are attached as follows. (The 2018 financial report can be downloaded at <http://mops.twse.com.tw>)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Oriental Union Chemical Corporation

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

The descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2018 are as follow:

The Impairment Loss of Property, Plant and Equipment

The consolidated balances of property, plant and equipment amounted to \$15,063,737 thousand as of December 31, 2018. On each balance sheet date, the Group reviews its tangible assets for indications of impairment. If any indication thereof exists, the Group then estimates the recoverable amount of the assets. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Group will determine the recoverable amount for the asset's cash-generating unit. Because the aforementioned tangible assets represent 41% of total consolidated assets and the calculation for recoverable amount involves several assumptions and estimations, which directly impact the amount recognized as impairment losses, we deem the review of impairment of assets a key audit matter.

Corresponding audit procedures:

1. We obtained an understanding of management's estimation of asset impairment and of the design and execution for relevant controls.
2. We evaluated the rationality of management's identification of impairment indicators and the appropriateness of the assumptions. Given that there are impairment indications, we performed:

- a. Obtained the asset impairment valuation form produced by the management for each cash-generating unit.
- b. Consulted Deloitte firm internal experts regarding the appropriateness of the assumptions, including the classification of cash-generating units, forecast of cash flows, and discount rate.

Other Matter

We have also audited the parent company only financial statements of Oriental Union Chemical Corporation as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified report.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hsin-Wei Tai and Yu-Wei Fan.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2019

Notice to Readers

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

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

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,910,500	5	\$ 1,946,019	6
Financial assets at fair value through profit or loss	78,069	-	32,240	-
Available-for-sale financial assets	-	-	68,711	-
Notes receivable, net	785,625	2	848,921	2
Trade receivables, net	1,162,447	3	1,135,483	3
Trade receivables from related parties	70,183	-	167,885	1
Other receivables	61,545	-	66,044	-
Inventories	1,630,103	5	2,249,856	6
Prepayments for leases	12,587	-	11,370	-
Prepayments for purchases	326,976	1	600,603	2
Other prepayments	201,199	1	343,538	1
Other current assets	<u>569,124</u>	<u>2</u>	<u>655,082</u>	<u>2</u>
Total current assets	<u>6,808,358</u>	<u>19</u>	<u>8,125,752</u>	<u>23</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income	5,307,418	15	-	-
Available-for-sale financial assets	-	-	1,098,562	3
Financial assets at amortized cost	76,968	-	-	-
Financial assets measured at cost	-	-	3,541,901	10
Debt investments with no active market	-	-	75,976	-
Investments accounted for using the equity method	2,188,879	6	2,231,770	6
Property, plant and equipment	15,063,737	41	15,651,631	43
Construction in progress	934,934	3	1,080,678	3
Investment properties	1,991,654	5	1,991,736	6
Intangible assets	22,811	-	24,642	-
Deferred tax assets	346,643	1	417,907	1
Long-term prepayments for leases	393,617	1	410,543	1
Other non-current assets	<u>3,263,201</u>	<u>9</u>	<u>1,300,760</u>	<u>4</u>
Total non-current assets	<u>29,589,862</u>	<u>81</u>	<u>27,826,106</u>	<u>77</u>
TOTAL	<u>\$ 36,398,220</u>	<u>100</u>	<u>\$ 35,951,858</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 5,305,133	15	\$ 5,093,292	14
Short-term bills payable	300,000	1	232,000	1
Trade payables	2,908,964	8	2,417,470	7
Trade payables to related parties	1,990	-	10,113	-
Other payables	667,978	2	567,228	2
Other payables to related parties	109,877	-	205,587	-
Current tax liabilities	216,602	1	345,937	1
Current portion of long-term borrowings	-	-	400,796	1
Other current liabilities	<u>170,423</u>	<u>-</u>	<u>331,948</u>	<u>1</u>
Total current liabilities	<u>9,680,967</u>	<u>27</u>	<u>9,604,371</u>	<u>27</u>
NON-CURRENT LIABILITIES				
Long-term borrowings	7,013,325	19	7,386,230	20
Deferred tax liabilities	675,374	2	626,171	2
Deferred revenue	115,177	-	126,186	-
Net defined benefit liabilities	250,160	1	284,915	1
Guarantee deposits	30,878	-	26,554	-
Other non-current liabilities	<u>44,624</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-current liabilities	<u>8,129,538</u>	<u>22</u>	<u>8,450,056</u>	<u>23</u>
Total liabilities	<u>17,810,505</u>	<u>49</u>	<u>18,054,427</u>	<u>50</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Common stock	<u>8,857,031</u>	<u>24</u>	<u>8,857,031</u>	<u>25</u>
Capital surplus	<u>765,359</u>	<u>2</u>	<u>741,291</u>	<u>2</u>
Retained earnings				
Legal reserve	2,150,280	6	1,976,898	6
Special reserve	1,911,129	5	1,911,129	5
Unappropriated earnings	<u>2,246,662</u>	<u>6</u>	<u>1,733,818</u>	<u>5</u>
Total retained earnings	<u>6,308,071</u>	<u>17</u>	<u>5,621,845</u>	<u>16</u>
Other equity				
Exchange differences on translating foreign operations	(290,555)	(1)	(200,949)	(1)
Unrealized loss on financial assets at fair value through other comprehensive income	(484,926)	(1)	-	-
Unrealized loss on available-for-sale financial assets	-	-	(22,321)	-
Total other equity	<u>(775,481)</u>	<u>(2)</u>	<u>(223,270)</u>	<u>(1)</u>
Treasury stock	<u>(187,798)</u>	<u>-</u>	<u>(187,798)</u>	<u>(1)</u>
NON-CONTROLLING INTERESTS	<u>3,620,533</u>	<u>10</u>	<u>3,088,332</u>	<u>9</u>
Total equity	<u>18,587,715</u>	<u>51</u>	<u>17,897,431</u>	<u>50</u>
TOTAL	<u>\$ 36,398,220</u>	<u>100</u>	<u>\$ 35,951,858</u>	<u>100</u>

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

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales revenue	\$ 32,098,169	100	\$ 28,875,576	100
Other operating revenue	<u>17,648</u>	<u>-</u>	<u>44,234</u>	<u>-</u>
Total operating revenue	<u>32,115,817</u>	<u>100</u>	<u>28,919,810</u>	<u>100</u>
COST OF GOODS SOLD	<u>27,817,014</u>	<u>87</u>	<u>24,475,255</u>	<u>85</u>
GROSS PROFIT	<u>4,298,803</u>	<u>13</u>	<u>4,444,555</u>	<u>15</u>
OPERATING EXPENSES				
Selling and marketing expenses	544,834	2	469,717	2
General and administrative expenses	283,003	1	328,513	1
Research and development expenses	172,538	-	144,604	-
Expected credit loss reversed	<u>(213)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>1,000,162</u>	<u>3</u>	<u>942,834</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>3,298,641</u>	<u>10</u>	<u>3,501,721</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	54,571	-	20,933	-
Rental income	42,909	-	34,595	-
Dividend income	43,656	-	42,664	-
Other income	118,237	-	121,567	-
Gain on disposal of investments	19,103	-	171,350	1
Foreign currency exchange (loss) gain	(15,007)	-	59,802	-
(Loss) gain on financial assets at fair value through profit or loss	(6,255)	-	2,053	-
Other expenses	(167,934)	-	(155,537)	(1)
Interest expense	(368,038)	(1)	(344,240)	(1)
Share of profit (loss) of associates accounted for using equity method	<u>160,132</u>	<u>1</u>	<u>(397,616)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(118,626)</u>	<u>-</u>	<u>(444,429)</u>	<u>(2)</u>
PROFIT BEFORE INCOME TAX	3,180,015	10	3,057,292	10
INCOME TAX EXPENSE	<u>792,957</u>	<u>2</u>	<u>661,116</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>2,387,058</u>	<u>8</u>	<u>2,396,176</u>	<u>8</u>

(Continued)

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	\$ 175,698	1	\$ -	-
Remeasurement of defined benefit plans	8,655	-	(18,716)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	2,659	-	3,182	-
Share of the other comprehensive loss of associates accounted for using equity method	-	-	(57)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statement of foreign operations	(117,766)	(1)	(91,513)	-
Unrealized loss on available-for-sale financial assets	-	-	(137,609)	(1)
Share of the other comprehensive loss of associates accounted for using equity method	<u>(39,362)</u>	<u>-</u>	<u>(39,204)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>29,884</u>	<u>-</u>	<u>(283,917)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR	<u>\$ 2,416,942</u>	<u>8</u>	<u>\$ 2,112,259</u>	<u>7</u>
NET PROFIT ATTRIBUTED TO:				
Owners of the Corporation	<u>\$ 1,750,724</u>	<u>5</u>	<u>\$ 1,749,409</u>	<u>6</u>
Non-controlling interests	<u>\$ 636,334</u>	<u>2</u>	<u>\$ 646,767</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO:				
Owners of the Corporation	<u>\$ 1,848,130</u>	<u>6</u>	<u>\$ 1,508,935</u>	<u>5</u>
Non-controlling interests	<u>\$ 568,812</u>	<u>2</u>	<u>\$ 603,324</u>	<u>2</u>
EARNINGS PER SHARE				
Basic	<u>\$ 2.01</u>		<u>\$ 2.01</u>	
Diluted	<u>\$ 2.00</u>		<u>\$ 2.00</u>	

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

(Concluded)

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation											Total Equity
	Equity Attributable to Owners of the Corporation						Other Equity					
	Common Stock	Capital Surplus		Retained Earnings			Exchange Differences on Translating Foreign Operations	Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Stock	Non-controlling Interests	
	Paid-in Capital in Excess of Par Value	Treasury Stock	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)							
BALANCE AT JANUARY 1, 2017	\$ 8,857,031	\$ 647,908	\$ 267,773	\$ 2,457,931	\$ 1,911,129	\$ (481,033)	\$ (113,675)	\$ -	\$ 115,288	\$ (187,798)	\$ 2,485,008	\$ 15,959,562
Legal reserve used to offset deficits	-	-	-	(481,033)	-	481,033	-	-	-	-	-	-
Cash dividends from capital surplus	-	(177,141)	-	-	-	-	-	-	-	-	-	(177,141)
Net profit for the year ended December 31, 2017	-	-	-	-	-	1,749,409	-	-	-	-	646,767	2,396,176
Other comprehensive loss for the year ended December 31, 2017	-	-	-	-	-	(15,591)	(87,274)	-	(137,609)	-	(43,443)	(283,917)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	1,733,818	(87,274)	-	(137,609)	-	603,324	2,112,259
Change in capital surplus from dividends distributed to subsidiary	-	-	2,751	-	-	-	-	-	-	-	-	2,751
BALANCE AT DECEMBER 31, 2017	8,857,031	470,767	270,524	1,976,898	1,911,129	1,733,818	(200,949)	-	(22,321)	(187,798)	3,088,332	17,897,431
Effect of retrospective application and retrospective restatement	-	-	-	-	-	474,168	-	(660,624)	22,321	-	-	(164,135)
Legal reserve	-	-	-	173,382	-	(173,382)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(1,549,980)	-	-	-	-	-	(1,549,980)
Net profit for the year ended December 31, 2018	-	-	-	-	-	1,750,724	-	-	-	-	636,334	2,387,058
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	11,314	(89,606)	175,698	-	-	(67,522)	29,884
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	1,762,038	(89,606)	175,698	-	-	568,812	2,416,942
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(36,611)	(36,611)
Change in capital surplus from dividends distributed to subsidiary	-	-	24,068	-	-	-	-	-	-	-	-	24,068
BALANCE AT DECEMBER 31, 2018	<u>\$ 8,857,031</u>	<u>\$ 470,767</u>	<u>\$ 294,592</u>	<u>\$ 2,150,280</u>	<u>\$ 1,911,129</u>	<u>\$ 2,246,662</u>	<u>\$ (290,555)</u>	<u>\$ (484,926)</u>	<u>\$ -</u>	<u>\$ (187,798)</u>	<u>\$ 3,620,533</u>	<u>\$ 18,587,715</u>

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

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 3,180,015	\$ 3,057,292
Adjustments :		
Depreciation expenses	1,064,578	1,020,487
Amortization expenses	18,621	18,282
Expected credit loss reversed	(213)	-
Impairment loss reversed on trade receivables	-	(217)
Loss (gain) on financial assets at fair value through profit or loss, net	6,255	(2,053)
Interest expense	368,038	344,240
Interest income	(54,571)	(20,933)
Dividend income	(43,656)	(42,664)
Share of (profit) loss of associates accounted for using equity method	(160,132)	397,616
(Gain) loss on disposal of property, plant and equipment	(193)	8,532
Gain on disposal of investments	(19,103)	(194,580)
Write-downs (reversal of write-downs) of inventories	18,377	(6,480)
Unrealized gain on foreign currency exchange	(37,911)	(78,230)
Amortization of prepayments for leases	9,743	10,043
Changes in operating assets and liabilities		
Financial assets held for trading	-	11,366
Financial assets at fair value through profit or loss	16,627	-
Notes receivable	63,297	(418,754)
Trade receivables	(26,752)	(142,583)
Trade receivables from related parties	97,702	15,678
Other receivables	1,692	(7,171)
Inventories	601,534	(436,269)
Prepayments	(243,167)	(589,023)
Other current assets	85,958	651,312
Notes payable	-	(1,000)
Trade payables	491,494	1,074,915
Trade payables to related parties	(8,123)	(5,400)
Other payables	33,527	207,764
Other current liabilities	(161,525)	(20,395)
Net defined benefit liabilities	(26,100)	(17,805)
Deferred revenue	(8,982)	(8,874)
Other non-current liabilities	44,624	-
Cash generated from operations	5,311,654	4,825,096
Interest received	54,808	26,663
Interest paid	(380,272)	(355,668)
Income tax paid	(766,576)	(235,288)
Net cash generated from operating activities	4,219,614	4,260,803

(Continued)

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (670,392)	\$ -
Proceeds from the capital reduction of financial assets at fair value through other comprehensive income	15,000	-
Purchase of financial assets at amortized cost	(22,498)	-
Proceeds from disposal of financial assets at amortized cost	21,676	-
Proceeds from disposal of available-for-sale financial assets	-	613,336
Purchase of debt investments with no active market	-	(53,143)
Proceeds from sale of debt investments with no active market	-	47,370
Purchase of financial assets measured at cost	-	(360,174)
Proceeds from the capital reduction of financial assets measured at cost	-	40,000
Purchase of investments accounted for using equity method	-	(512,074)
Proceeds from disposal of investments accounted for using equity method	180,257	-
Payments for property, plant and equipment	(194,586)	(9,656)
Proceeds from disposal of property, plant and equipment	7,695	1,540
Payments for intangible assets	(693)	(327)
Increase in other non-current assets	(1,316,118)	(418,933)
Increase in construction in progress	(331,708)	(870,600)
Increase in other prepayments	(1,441)	-
Other dividend received	<u>43,656</u>	<u>42,664</u>
Net cash used in investing activities	<u>(2,269,152)</u>	<u>(1,479,997)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	294,521	(1,145,925)
Proceeds from short-term bills payable	68,000	232,000
Proceeds from long-term borrowings	4,087,638	2,288,494
Repayments of long-term borrowings	(4,867,178)	(3,429,894)
Increase (decrease) in guarantee deposits	4,324	(19,257)
Dividends paid to owners of the Corporation	(1,525,912)	(174,390)
Dividends paid to non-controlling interests	<u>(36,611)</u>	<u>-</u>
Net cash used in financing activities	<u>(1,975,218)</u>	<u>(2,248,972)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(10,763)</u>	<u>(31,527)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(35,519)	500,307
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,946,019</u>	<u>1,445,712</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,910,500</u>	<u>\$ 1,946,019</u>

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Oriental Union Chemical Corporation

Opinion

We have audited the accompanying financial statements of Oriental Union Chemical Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China ("ROC"). 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 Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the ROC, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

The descriptions of the key audit matters of the financial statements for the year ended December 31, 2018 are as follow:

The Impairment Loss of Property, Plant and Equipment

The balances of property, plant and equipment amounted to \$5,756,964 thousand as of December 31, 2018. On each balance sheet date, the Corporation reviews its tangible assets for indications of impairment. If any indication thereof exists, the Corporation then estimates the recoverable amount of the assets. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Corporation will determine the recoverable amount for the asset's cash-generating unit. Because the aforementioned tangible assets represent 24% of total assets and the calculation for recoverable amount involves several assumptions and estimations, which directly impact the amount recognized as impairment losses, we deem the review of impairment of assets a key audit matter.

Corresponding audit procedures:

1. We obtained an understanding of management's estimation of asset impairment and of the design and execution for relevant controls.
2. We evaluated the rationality of management's identification of impairment indicators and the appropriateness of the assumptions. Given that there are impairment indications, we performed:

- a. Obtained the asset impairment valuation form produced by the management for each cash-generating unit.
- b. Consulted Deloitte firm internal experts regarding the appropriateness of the assumptions, including the classification of cash-generating units, forecast of cash flows, and discount rate.

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

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

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation 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 Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the ROC, 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 Corporation'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 Corporation'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 Corporation to cease to continue as a going concern.

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hsin-Wei Tai and Yu-Wei Fan.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2019

Notice to Readers

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

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

ORIENTAL UNION CHEMICAL CORPORATION

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

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 611,802	3	\$ 56,083	-
Financial assets at fair value through profit or loss	63,589	-	-	-
Available-for-sale financial assets	-	-	68,711	-
Notes receivable, net	110,542	-	110,844	1
Trade receivables, net	834,999	4	775,984	3
Trade receivables from related parties	64,095	-	159,837	1
Other receivables	37,399	-	44,193	-
Inventories	832,598	4	816,441	4
Prepayments for purchases	34,964	-	21,661	-
Other prepayments	23,881	-	16,244	-
Other current assets	<u>170,556</u>	<u>1</u>	<u>193,856</u>	<u>1</u>
Total current assets	<u>2,784,425</u>	<u>12</u>	<u>2,263,854</u>	<u>10</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income	3,666,278	15	-	-
Available-for-sale financial assets	-	-	744,100	3
Financial assets at amortized cost	76,968	-	-	-
Financial assets measured at cost	-	-	2,757,802	12
Debt investments with no active market	-	-	75,976	-
Investments accounted for using the equity method	7,711,476	32	7,159,272	31
Property, plant and equipment	5,756,964	24	6,053,913	26
Construction in progress	804,568	3	807,764	3
Investment properties	1,991,654	8	1,991,736	9
Intangible assets	8,362	-	8,148	-
Deferred tax assets	346,643	2	417,907	2
Other non-current assets	<u>870,378</u>	<u>4</u>	<u>1,000,195</u>	<u>4</u>
Total non-current assets	<u>21,233,291</u>	<u>88</u>	<u>21,016,813</u>	<u>90</u>
TOTAL	<u>\$ 24,017,716</u>	<u>100</u>	<u>\$ 23,280,667</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ -	-	\$ 110,000	-
Trade payables	800,834	3	680,198	3
Other payables	429,834	2	351,428	2
Current tax liabilities	142,016	1	240,138	1
Other current liabilities	<u>81,711</u>	<u>-</u>	<u>95,592</u>	<u>-</u>
Total current liabilities	<u>1,454,395</u>	<u>6</u>	<u>1,477,356</u>	<u>6</u>
NON-CURRENT LIABILITIES				
Long-term borrowings	6,629,388	28	6,079,453	26
Deferred tax liabilities	643,497	3	604,320	3
Net defined benefit liabilities	250,160	1	284,915	1
Guarantee deposits	28,470	-	25,524	-
Other non-current liabilities	<u>44,624</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-current liabilities	<u>7,596,139</u>	<u>32</u>	<u>6,994,212</u>	<u>30</u>
Total liabilities	<u>9,050,534</u>	<u>38</u>	<u>8,471,568</u>	<u>36</u>
EQUITY				
Common stock	8,857,031	37	8,857,031	38
Capital surplus	<u>765,359</u>	<u>3</u>	<u>741,291</u>	<u>3</u>
Retained earnings				
Legal reserve	2,150,280	9	1,976,898	9
Special reserve	1,911,129	8	1,911,129	8
Unappropriated earnings	<u>2,246,662</u>	<u>9</u>	<u>1,733,818</u>	<u>7</u>
Total retained earnings	<u>6,308,071</u>	<u>26</u>	<u>5,621,845</u>	<u>24</u>
Other equity				
Exchange differences on translating foreign operations	(290,555)	(1)	(200,949)	(1)
Unrealized loss on financial assets at fair value through other comprehensive income	(484,926)	(2)	-	-
Unrealized loss on available-for-sale financial assets	-	-	(22,321)	-
Total other equity	<u>(775,481)</u>	<u>(3)</u>	<u>(223,270)</u>	<u>(1)</u>
Treasury stock	<u>(187,798)</u>	<u>(1)</u>	<u>(187,798)</u>	<u>-</u>
Total equity	<u>14,967,182</u>	<u>62</u>	<u>14,809,099</u>	<u>64</u>
TOTAL	<u>\$ 24,017,716</u>	<u>100</u>	<u>\$ 23,280,667</u>	<u>100</u>

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

ORIENTAL UNION CHEMICAL CORPORATION

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales revenue	\$ 14,619,729	100	\$ 12,755,671	100
OPERATING COSTS				
Cost of goods sold	<u>12,567,843</u>	<u>86</u>	<u>10,850,815</u>	<u>85</u>
GROSS PROFIT	<u>2,051,886</u>	<u>14</u>	<u>1,904,856</u>	<u>15</u>
OPERATING EXPENSES				
Selling and marketing expenses	433,809	3	366,973	3
General and administrative expenses	127,236	1	113,087	1
Research and development expenses	160,155	1	144,604	1
Expected credit loss reversed	<u>(213)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>720,987</u>	<u>5</u>	<u>624,664</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>1,330,899</u>	<u>9</u>	<u>1,280,192</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	4,346	-	2,519	-
Rental income	39,670	-	34,478	-
Dividend income	43,656	-	42,664	-
Other income	66,495	-	81,686	1
Gain on disposal of investments	19,103	-	171,350	1
Foreign currency exchange gain (loss)	18,486	-	(11,884)	-
Loss on financial assets at fair value through profit or loss	(5,122)	-	-	-
Other expenses	(36,388)	-	(36,875)	-
Gain on disposal of property, plant and equipment	224	-	218	-
Interest expense	(57,771)	-	(62,824)	-
Share of profit of subsidiaries and associates accounted for using equity method	<u>659,991</u>	<u>5</u>	<u>552,056</u>	<u>4</u>
Total non-operating income and expenses	<u>752,690</u>	<u>5</u>	<u>773,388</u>	<u>6</u>
PROFIT BEFORE INCOME TAX	2,083,589	14	2,053,580	16
INCOME TAX EXPENSE	<u>332,865</u>	<u>2</u>	<u>304,171</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>1,750,724</u>	<u>12</u>	<u>1,749,409</u>	<u>14</u>
OTHER COMPREHENSIVE INCOME (LOSS)				

(Continued)

ORIENTAL UNION CHEMICAL CORPORATION

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

	2018		2017	
	Amount	%	Amount	%
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 8,655	-	\$ (18,716)	-
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	144,288	1	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	2,659	-	3,182	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	31,410	-	(57)	-
Items that may be reclassified subsequently to profit or loss:				
Unrealized loss on available-for-sale financial assets	-	-	(114,746)	(1)
Share of the other comprehensive loss of subsidiaries and associates accounted for using equity method	<u>(89,606)</u>	<u>-</u>	<u>(110,137)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>97,406</u>	<u>1</u>	<u>(240,474)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR	<u>\$ 1,848,130</u>	<u>13</u>	<u>\$ 1,508,935</u>	<u>12</u>
EARNINGS PER SHARE				
Basic	<u>\$ 2.01</u>		<u>\$ 2.01</u>	
Diluted	<u>\$ 2.00</u>		<u>\$ 2.00</u>	

Given that the subsidiaries buy and hold the parent company's stocks, which is not regarded as the treasury stock but as the investments, the proforma information was as follows:

	2018		2017	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Net profit for the year	<u>\$1,750,724</u>		<u>\$1,749,409</u>	
Earnings per share				
Basic	<u>\$ 2.35</u>	<u>\$ 1.98</u>	<u>\$ 2.32</u>	<u>\$ 1.98</u>
Diluted	<u>\$ 2.35</u>	<u>\$ 1.97</u>	<u>\$ 2.32</u>	<u>\$ 1.97</u>

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

(Concluded)

ORIENTAL UNION CHEMICAL CORPORATION

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Corporation										
	Common Stock	Capital Surplus		Retained Earnings			Exchange Differences on Translating Foreign Operations	Other Equity		Treasury Stock	Total Equity
		Paid-in Capital in Excess of Par Value	Treasury Stock	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) On Available-for-sale Financial Assets		
BALANCE AT JANUARY 1, 2017	\$ 8,857,031	\$ 647,908	\$ 267,773	\$ 2,457,931	\$ 1,911,129	\$ (481,033)	\$ (113,675)	\$ -	\$ 115,288	\$ (187,798)	\$ 13,474,554
Legal reserve used to offset deficits	-	-	-	(481,033)	-	481,033	-	-	-	-	-
Cash dividends from capital surplus	-	(177,141)	-	-	-	-	-	-	-	-	(177,141)
Net profit for the year ended December 31, 2017	-	-	-	-	-	1,749,409	-	-	-	-	1,749,409
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	(15,591)	(87,274)	-	(137,609)	-	(240,474)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	1,733,818	(87,274)	-	(137,609)	-	1,508,935
Change in capital surplus from dividends distributed to subsidiary	-	-	2,751	-	-	-	-	-	-	-	2,751
BALANCE AT DECEMBER 31, 2017	8,857,031	470,767	270,524	1,976,898	1,911,129	1,733,818	(200,949)	-	(22,321)	(187,798)	14,809,099
Effect of retrospective application and retrospective restatement	-	-	-	-	-	474,168	-	(660,624)	22,321	-	(164,135)
Legal reserve	-	-	-	173,382	-	(173,382)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(1,549,980)	-	-	-	-	(1,549,980)
Net profit for the year ended December 31, 2018	-	-	-	-	-	1,750,724	-	-	-	-	1,750,724
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	11,314	(89,606)	175,698	-	-	97,406
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	1,762,038	(89,606)	175,698	-	-	1,848,130
Change in capital surplus from dividends distributed to subsidiary	-	-	24,068	-	-	-	-	-	-	-	24,068
BALANCE AT DECEMBER 31, 2018	<u>\$ 8,857,031</u>	<u>\$ 470,767</u>	<u>\$ 294,592</u>	<u>\$ 2,150,280</u>	<u>\$ 1,911,129</u>	<u>\$ 2,246,662</u>	<u>\$ (290,555)</u>	<u>\$ (484,926)</u>	<u>\$ -</u>	<u>\$ (187,798)</u>	<u>\$ 14,967,182</u>

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

ORIENTAL UNION CHEMICAL CORPORATION

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 2,083,589	\$ 2,053,580
Adjustments :		
Depreciation expenses	537,348	527,151
Amortization expenses	11,127	10,943
Expected credit loss reversed	(213)	-
Impairment loss reversed on trade receivables	-	(217)
Interest expense	57,771	62,824
Interest income	(4,346)	(2,519)
Loss on financial assets at fair value through profit or loss, net	5,122	-
Dividend income	(43,656)	(42,664)
Share of profit of subsidiaries and associates accounted for using equity method	(659,991)	(552,056)
Gain on disposal of property, plant and equipment	(224)	(218)
Gain on disposal of investments	(19,103)	(171,350)
Write-downs (reversal of write-downs) of inventories	10,525	(5,310)
Unrealized (gain) loss on foreign currency exchange	(18,486)	11,884
Changes in operating assets and liabilities		
Notes receivable	303	(20,656)
Trade receivables	36,939	56,886
Other receivables	4,365	(375)
Inventories	(26,682)	(315,461)
Prepayments	(20,940)	(10,967)
Other current assets	23,300	38,782
Notes payable	-	(1,000)
Trade payables	120,636	(173,078)
Other payables	46,174	69,710
Other current liabilities	(13,881)	(24,468)
Net defined benefit liabilities	(26,100)	(17,805)
Other non-current liabilities	44,624	-
Cash generated from operations	<u>2,148,201</u>	<u>1,493,616</u>
Interest received	4,205	2,214
Interest paid	(56,790)	(64,342)
Income tax paid	<u>(287,139)</u>	<u>(207)</u>
Net cash generated from operating activities	<u>1,808,477</u>	<u>1,431,281</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(65,066)	-
Proceeds from the capital reduction of financial assets at fair value through other comprehensive income	15,000	-
Proceeds from disposal of available-for-sale financial assets	-	556,102
Purchase of debt investments with no active market	-	(53,143)
Purchase of financial assets at amortized cost	(22,498)	-

(Continued)

ORIENTAL UNION CHEMICAL CORPORATION

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

	2018	2017
Proceeds from disposal of financial assets at amortized cost	\$ 21,676	\$ -
Proceeds from sale of debt investments with no active market	-	47,370
Proceeds from the capital reduction of financial assets measured at cost	-	40,000
Purchase of investments accounted for using equity method	(250,000)	(512,074)
Proceeds from disposal of investments accounted for using equity method	180,257	-
Proceeds from disposal of property, plant and equipment	7,695	1,540
Decrease (increase) in other non-current assets	122,017	(426,597)
Increase in construction in progress	(216,882)	(580,450)
Subsidiary dividends received	-	20,187
Dividends received	<u>43,656</u>	<u>42,664</u>
Net cash used in investing activities	<u>(164,145)</u>	<u>(864,401)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayments of) proceeds from short-term borrowings	(110,000)	110,000
Proceeds from long-term borrowings	3,149,388	300,052
Repayments of long-term borrowings	(2,599,453)	(1,070,000)
Increase (decrease) in guarantee deposits	2,946	(16,427)
Dividends paid	<u>(1,549,980)</u>	<u>(177,141)</u>
Net cash used in financing activities	<u>(1,107,099)</u>	<u>(853,516)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>18,486</u>	<u>(11,884)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	555,719	(298,520)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>56,083</u>	<u>354,603</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 611,802</u>	<u>\$ 56,083</u>

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

(Concluded)

3. Audit Committee's review report of the 2018 Business Report and Financial Statement

To the 2019 General Shareholders' Meeting of Oriental Union Chemical Union Corporation,

In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we have examined the Business Report, Financial Statements, and the Resolution for Allocation of Dividend submitted by Board of Directors for the year ending 2018, which have been audited by independent auditors, Mr. Roger Tai and Mr. Fan Yu-Wei of Deloitte & Touche, and found them in order.

The Convener of the Audit Committee:

A handwritten signature in black ink, appearing to be 'Walt H. G.', with a long horizontal stroke extending to the right.

March 19, 2019

4. To report 2018 employees' compensation and Directors' remuneration

- i. In accordance with the Article 33 of Article of Incorporation of Oriental Union Chemical Corporation, in which it is stated "Should the Company have profit for the current year, the proportioned 1%-2% of the profit shall be allocated as employees' bonuses, and less than 1% as Directors' remuneration."
- ii. The company's 2018 compensation to employees is calculated as NT\$31,973,230, whereas remuneration to Directors as NT\$15,986,615. Total calculated amount of the above comply with Article of Incorporation of Oriental Union Chemical Corporation, and shall be distributed all in cash.
- iii. The 2018 employees' compensation and Directors' remuneration were approved by the 4th Board meeting of the 15th term and shall be reported to the 2019 shareholders' meeting.
- iv. Please accept the aforesaid report.

5. To report the amendments to the “Codes of Ethics” and “Best Practice Principles of Ethical Corporate Management” for Oriental Union Chemical Corporation

- i. In accordance with the establishment of the Audit Committee in replace of the Supervisors of OUCC, the company has amended the “Codes of Ethics” and “Best Practice Principles of Ethical Corporate Management”, which were approved by Board Directors meeting’s resolution at the 7th August 2018. Please refer to the following comparison table for details.

(a) “Codes of Ethics”

Section	Proposed Changes	Current Articles
Article 1	The purpose of the Code of Ethics (hereinafter referred to as the “Guidelines”) is to provide Directors, managerial officers, and all other employees of Oriental Union Chemical Corporation (hereinafter referred to as the “Company”) with guidelines to comply with the ethical standards of the Company, and make such standards better understood by the affiliated persons of the Company.	The purpose of the Code of Ethics (hereinafter referred to as the “Guidelines”) is to provide Directors, <u>Supervisors</u> , managerial officers, and all other employees of Oriental Union Chemical Corporation (hereinafter referred to as the “Company”) with guidelines to comply with the ethical standards of the Company, and make such standards better understood by the affiliated persons of the Company.
Article 2	The Guidelines enacted is applied to Directors, managerial officers, and all other employees (hereinafter collectively referred to as “All Employees”) of the Company.	The Guidelines enacted is applied to Directors, <u>Supervisors</u> , managerial officers, and all other employees (hereinafter collectively referred to as “All Employees”) of the Company.
Article 10	Periodically, the Company shall organize educational program to promote and reinforce the Guidelines to All Employees. All Employees who discover any violation or appearance of violation of the Guidelines, laws, and regulations shall proactively report to the <u>Audit Committee</u> , Managers, Head of Internal Audit Department, or other properly authorized management, pursuant to “the procedure for reporting and discipline the violation of codes of ethics and the best practice principle”, meanwhile provide sufficient information or evidences to make subsequent investigation and rectification possible. All information and evidences being reported shall be kept confidential, and investigated by an independent third entity, in order to protect the whistle-blower.	Periodically, the Company shall organize educational program to promote and reinforce the Guidelines to All Employees. All Employees who discover any violation or appearance of violation of the Guidelines, laws, and regulations shall proactively report to <u>Supervisors</u> , Managers, Head of Internal Audit Department, or other properly authorized management, pursuant to “the procedure for reporting and discipline the violation of codes of ethics and the best practice principle”, meanwhile provide sufficient information or evidences to make subsequent investigation and rectification possible. All information and evidences being reported shall be kept confidential, and investigated by an independent third entity, in order to protect the whistle-blower.
Article 13	The Guidelines herein takes effect after approval at the Directors’ meeting prior to reporting to the shareholders’ meeting. The same applies for any amendments.	The Guidelines herein takes effect after approval at the Directors’ meeting prior to <u>submitting to the Supervisors</u> and reporting to the shareholders’ meeting. The same applies for any amendments.

(b) “Best Practice Principles of Ethical Corporate Management”

Section	Proposed Changes	Current Articles
Article 1	<p>The purpose of the Best Practice Principles of Ethical Corporate Management (hereinafter referred to as the “Principles”) is to cultivate an enterprise culture for Oriental Union Chemical Corporation (hereinafter referred to as the “Company”) to sustain the development of the Company and ensure all businesses conducted with sincerity and integrity.</p> <p>The Principles shall be abided by Directors, managerial officers, employees, fiduciaries, and other entities with actual ability to control the Company (hereinafter referred to as the “Actual Controllers”). The aforementioned individuals and entities hereinafter are referred collectively to as the “Company Professionals”.</p> <p>The Principles shall be applied to subsidiaries, charity foundations which have accumulatively received, directly or indirectly from the Company, 50% of their total funds or more, and institutions, juridical entities, enterprises, and organizations that the Company may control effectively.</p>	<p>The purpose of the Best Practice Principles of Ethical Corporate Management (hereinafter referred to as the “Principles”) is to cultivate an enterprise culture for Oriental Union Chemical Corporation (hereinafter referred to as the “Company”) to sustain the development of the Company and ensure all businesses conducted with sincerity and integrity.</p> <p>The Principles shall be abided by Directors, <u>Supervisors</u>, managerial officers, employees, fiduciaries, and other entities with actual ability to control the Company (hereinafter referred to as the “Actual Controllers”). The aforementioned individuals and entities hereinafter are referred collectively to as the “Company Professionals”.</p> <p>The Principles shall be applied to subsidiaries, charity foundations which have accumulatively received, directly or indirectly from the Company, 50% of their total funds or more, and institutions, juridical entities, enterprises, and organizations that the Company may control effectively.</p>
Article 20	<p>For any violation of the Principles being found, Company Professionals shall proactively report to <u>the Audit Committee</u>, the Management, Head of Internal Audit, Human Resources Department, and other appropriate authorized managers. The Company shall strictly preserve the identity of the whistle-blower and the content of the report.</p> <p>The Company tolerates no violation. Any of the Company Professionals obtains, or intends to obtain, improper Benefits for oneself or others at the cost of the Company by using one’s position and authority shall be dismissed, and unconditionally indemnify the Company for all losses, if occurred.</p> <p>Any of the Company Professionals found to be in violation of the Principles shall be disciplined in accordance with the reward and disciplinary rules of the Company. Those who as a result of violation are dismissed by the Company will no longer be employed again by the Company or its affiliates. The “procedure for reporting and discipline the violation of codes of ethics and the best practice principle” is established in the Company. Any of Company Professionals being accused to violate the Principles may appeal for remedy via the system.</p>	<p>For any violation of the Principles being found, Company Professionals shall proactively report to <u>Supervisors</u>, the Management, Head of Internal Audit, Human Resources Department, and other appropriate authorized managers. The Company shall strictly preserve the identity of the whistle-blower and the content of the report.</p> <p>The Company tolerates no violation. Any of the Company Professionals obtains, or intends to obtain, improper Benefits for oneself or others at the cost of the Company by using one’s position and authority shall be dismissed, and unconditionally indemnify the Company for all losses, if occurred.</p> <p>Any of the Company Professionals found to be in violation of the Principles shall be disciplined in accordance with the reward and disciplinary rules of the Company. Those who as a result of violation are dismissed by the Company will no longer be employed again by the Company or its affiliates. The “procedure for reporting and discipline the violation of codes of ethics and the best practice principle” is established in the Company. Any of Company Professionals being accused to violate the Principles may appeal for remedy via the system.</p>
Article 23	<p>The Principles herein take effect after approval at the Directors’ meeting prior to reporting to the shareholders’ meeting. The same applies for any amendments.</p>	<p>The Principles herein take effect after approval at the Directors’ meeting prior to <u>submitting to the Supervisors</u> and reporting to the shareholders’ meeting. The same applies for any amendments.</p>

ii. Please accept the aforesaid report.

Approval items

1. To accept 2018 Business Report and Financial Statements

The Board of Directors proposes and recommends that each shareholder vote FOR the acceptance of 2018 Business Report and Financial Statements.

Explanatory notes:

- i. OUCC's 2018 Business Report and Financial Statements (including consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, and balance sheets, statements of comprehensive income, statements of changes in equity, statements of cash flows) have been audited by independent auditors, Mr. Hsin-Wei Tai and Mr. Yu-Wei Fan of Deloitte & Touche, and have been examined by and determined to be correct and accurate by Audit Committee of OUCC. We thereby submit this report.
- ii. Please accept the aforesaid Business Report and Financial Statements.

2. To approve the proposal for the distribution of 2018 profits

The Board of Directors proposes and recommends that each shareholder vote FOR the distribution of 2018 profits.

Explanatory notes:

- i. OUCC's 2018 financial statement has been completed and audited by the CPAs of Deloitte & Touche. The distribution of 2018 OUCC profits, pursuant to Article 34 of Article of Incorporation, is proposed as follows:

	(Unit: NT\$)
(1) Beginning of unappropriated earnings	10,455,649
(2) Adjustment after retrospective application and Restatement	474,168,250
(3) Confirmed reevaluated amount of welfare plan for retained earnings	11,312,950
(4) Unappropriated earnings after adjustment	495,936,849
(1)+(2)+(3)=(4)	
(5) 2018 net income	1,750,724,061
(6) Legal reserve appropriation	175,072,406
(7) Retained earnings available for distribution	2,071,588,504
(4)+(5)-(6)=(7)	

Distribution items:

Shareholders' dividend (NT\$ 1.75/share in cash)	1,549,980,300
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Unappropriated earnings	521,608,204
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- ii. After being approved at the 2019 Annual General Shareholders' Meeting, the cash dividend to common shareholders will be distributed on an ex-dividend date to be determined by the Board of Directors. Should OUCC subsequently repurchase its common shares or issue new common shares according to the relevant regulations, the total number of common shares outstanding may change, and the ultimate cash to be distributed to each common share may need to be adjusted accordingly. It is proposed that the Board of Directors of OUCC be authorized to adjust the cash to be distributed to each common share based on the total amount of profits resolved to be distributed and the number of actual common shares outstanding on the ex-dividend date for distribution.
- iii. Please accept the aforesaid proposal.

Discussion Items

1. To amend the company bylaw of “Procedures for Acquisition or Disposal of Assets” of Oriental Union Chemical Corporation

The Board of Directors proposes and recommends that each shareholder vote FOR the amendments of the company bylaw of “Procedures for Acquisition or Disposal of Assets”.

Explanatory notes:

- i. Pursuant to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and the letter issued by the Financial Supervisory Commission (Letter No. FSC 1070341072 on 26 November 2018), the revisions to the company bylaw of “Procedures for Acquisition or Disposal of Assets of OUCC” is as follows:

Section	Proposed Changes	Current Articles
Article 2	<p>Assets in these Procedures include:</p> <ol style="list-style-type: none"> 1) Securities: stocks, government bonds, corporate bonds, bank debentures, beneficiary certificates of mutual funds, depository receipts, call/put warrants, beneficiary securities, asset-backed securities and other investments. 2) Real estate (including land, houses and buildings, investment properties) and equipment; 3) Club memberships; 4) Patents, copyrights, trademarks, concessions and other intangible assets; 5) <u>Right-of-use assets</u>; 6) Derivative products; 7) Assets acquired or disposed through merger, spin-off, acquisition or transfer of shares in accordance with law; 8) Other key assets. 	<p>Assets in these Procedures include:</p> <ol style="list-style-type: none"> 1) Securities: stocks, government bonds, corporate bonds, bank debentures, beneficiary certificates of mutual funds, depository receipts, call/put warrants, beneficiary securities, asset-backed securities and other investments. 2) Real estate (including land, houses and buildings, investment properties, <u>right to use land</u>) and equipment; 3) Club memberships; 4) Patents, copyrights, trademarks, concessions and other intangible assets; 5) Derivative products; 6) Assets acquired or disposed through merger, spin-off, acquisition or transfer of shares in accordance with law; 7) Other key assets.
Article 3	<p>1) “Derivatives”: Forward contracts, option contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from <u>a specified interest rate, financial instrument price, commodity price, foreign exchange rates, index of prices or rates, credit rating or credit index, or other variables</u>; or hybrid contracts combining the above contracts; <u>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, or long-term purchase (sales) <u>contracts</u>.</p>	<p>1) “Derivatives”: Forward contracts, option contracts, futures contracts, leverage contracts, and swap contracts and <u>compound contracts combining the above products</u> whose value is derived from <u>assets, interest rates, foreign exchange rates, indexes or other interests</u>. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) <u>agreements</u>.</p>

Section	Proposed Changes	Current Articles
Article 3	<p>2) “Assets acquired or disposed through mergers, demergers, acquisitions or transfer of shares in accordance with act of law”: 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 transfer of shares (from another company) through issuance of new shares of its own as the consideration therefore (hereinafter “transfer of shares”) under Article 156, <u>paragraph 3</u> of the Company Act.</p> <p>3) “Related party of Subsidiary”: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4) “Professional appraiser”: Refers to a real property appraiser or other person duly authorized by an act of law to engage in the value appraisal of real property or equipment;</p> <p>5) “Date of occurrence”: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Boards of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the Competent Authorities is required, the earlier of the above date or the date of receipt of approval by the Competent Authorities shall apply;</p> <p>6) “Mainland area investment”: Refers to investments in 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.</p>	<p>2) “Assets acquired or disposed through mergers, demergers, acquisitions or transfer of shares in accordance with act of law”: 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 transfer of shares (from another company) through issuance of new shares of its own as the consideration therefore (hereinafter “transfer of shares”) under Article 156, <u>paragraph 8</u> of the Company Act.</p> <p>3) “Related party of Subsidiary”: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4) “Professional appraiser”: Refers to a real property appraiser or other person duly authorized by an act of law to engage in the value appraisal of real property or equipment;</p> <p>5) “Date of occurrence”: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Boards of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the Competent Authorities is required, the earlier of the above date or the date of receipt of approval by the Competent Authorities shall apply;</p> <p>6) “Mainland area investment”: Refers to investments in 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.</p>
Article 5	<p>The Company’s total investment in securities shall not exceed one hundred and fifty percent (150%) of its shareholders’ equity reflected in the latest financial reports; furthermore individual securities in which it may invest shall not exceed sixty percent (60%) of its shareholders’ equity reflected in the latest</p>	<p>The Company’s total investment is securities shall not exceed one hundred and fifty percent (150%) of its shareholders’ equity reflected in the latest financial reports; furthermore individual securities in which it may invest shall not exceed sixty percent (60%) of its shareholders’ equity reflected in the latest</p>

Section	Proposed Changes	Current Articles
Article 5	<p>financial reports, and investments in non-operational real estate, equipment <u>and right-of-use assets thereof</u> shall not exceed fifty percent (50%) of its shareholders' equity reflected in the latest financial reports.</p> <p>The equity investments by the Company and its subsidiaries shall not exceed one hundred and fifty percent (150%) of its shareholders' equity reflected in the latest financial reports. The operational regulations of the Taiwan Securities Exchange Co., Ltd. and other relevant laws and regulations shall govern the calculation of percentages reflected to herein.</p> <p>The latest financial report referred to herein shall be the Company's financial statements duly audited or reviewed by certified public accountants prior to its acquisition or disposition of assets.</p>	<p>financial reports, and investments in non-operational real estate <u>and</u> equipment shall not exceed fifty percent (50%) of its shareholders' equity reflected in the latest financial reports.</p> <p>The equity investments by the Company and its subsidiaries shall not exceed one hundred and fifty percent (150%) of its shareholders' equity reflected in the latest financial reports. The operational regulations of the Taiwan Securities Exchange Co., Ltd. and other relevant laws and regulations shall govern the calculation of percentages reflected to herein.</p> <p>The latest financial report referred to herein shall be the Company's financial statements duly audited or reviewed by certified public accountants prior to its acquisition or disposition of assets.</p>
Article 7	<p>Acquisition or Disposition of Real Property, Equipment <u>or Right-of-Use Assets thereof</u></p> <p>1) Evaluation Process</p> <p>(a) For investments in real property, equipment <u>or right-of-use assets thereof</u>, the Accounting Department or other relevant units shall undertake the projection of potential returns as well as evaluation of potential investment risks in relation to the said investment based on the current operation and financial conditions and future development plan.</p> <p>(b) The proposed acquisition or disposition of real property <u>or right-of-use assets thereof</u> shall require analysis reports taking reference to their current published value, appraised values and transactions prices for neighboring real properties, etc., along with suggested transaction conditions and prices.</p> <p>(c) The proposed acquisition or disposition of equipment <u>or right-of-use assets thereof</u> shall be carried out by way of any of the following: price inquiry; price comparison; negotiated prices or tender.</p> <p>2) Valuation Reports</p> <p>In the case of real property, equipment, <u>or right-of-use assets thereof</u> acquired or disposed by the Company other than as a result of</p>	<p>Acquisition or Disposition of Real Property or Equipment</p> <p>1) Evaluation Process</p> <p>(a) For investments in real property <u>and</u> equipment, the Accounting Department or other relevant units shall undertake the projection of potential returns as well as evaluation of potential investment risks in relation to the said investment based on the current operation and financial conditions and future development plan.</p> <p>(b) The proposed acquisition or disposition of real property shall require analysis reports taking reference to their current published value, appraised values and transactions prices for neighboring real properties, etc., along with suggested transaction conditions and prices.</p> <p>(c) The proposed acquisition or disposition of equipment shall be carried out by way of any of the following: price inquiry; price comparison; negotiated prices or tender.</p> <p>2) Valuation Reports for <u>Real Property or Equipment</u></p> <p>In the case of real property <u>or</u> equipment acquired or disposed by the Company other than as a result of transactions with the</p>

Section	Proposed Changes	Current Articles
Article 7	<p>transactions with the <u>domestic</u> government, entrusted construction on the Company's own property, entrusted construction on land leased by the Company, or acquisition or disposition of equipment, <u>or right-of-use assets thereof</u> for business operation purposes, where their transaction value is the amount equivalent to twenty percent (20%) of the Company's paid-in capital or NT\$300 million or above, the Company shall, prior to the date of the transaction occurred, require professional appraiser to furnish their valuation report (which report shall specify the matters set out in Appendix 1 herein); furthermore, the following provisions shall be complied with:</p> <p>(a) Where 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</u> shall be followed <u>for</u> any changes to the terms and conditions of the transaction <u>afterwards</u>.</p> <p>(b) Where the transaction amount is NT\$1 billion or more, two (2) or more professional appraiser shall be engaged to provide their appraisals.</p> <p>(c) Where the appraisal prices from professional appraiser come under one of the following, unless the appraisal prices of acquired assets are higher than the transaction price, or the appraisal prices of assets being disposed are lower than the transaction price, accountant shall be engaged to handle the matter pursuant to the provisions of Auditing Standards No. 20 promulgated by ARDF; furthermore, the said accountants shall be required to provide their opinions in respect of the reasons for such discrepancy and the fairness of the transaction price:</p> <p>(i) The appraisal results differ from the transaction amount by twenty percent (20%) or greater;</p> <p>(ii) The difference between the appraisal result provided by two or more professional appraisers and the</p>	<p>government, entrusted construction on the Company's own property, entrusted construction on land leased by the Company, or acquisition or disposition of equipment for business operation purposes, where their transaction value is the amount equivalent to twenty percent (20%) of the Company's paid-in capital or NT\$300 million or above, the Company shall, prior to the date of the transaction occurred, require professional appraiser to furnish their valuation report (which report shall specify the matters set out in Appendix 1 herein); furthermore, the following provisions shall be complied with:</p> <p>(a) Where 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 terms and conditions of the transaction.</p> <p>(b) Where the transaction amount is NT\$1 billion or more, two (2) or more professional appraiser shall be engaged to provide their appraisals.</p> <p>(c) Where the appraisal prices from professional appraiser come under one of the following, unless the appraisal prices of acquired assets are higher than the transaction price, or the appraisal prices of assets being disposed are lower than the transaction price, accountant shall be engaged to handle the matter pursuant to the provisions of Auditing Standards No. 20 promulgated by ARDF; furthermore, the said accountants shall be required to provide their opinions in respect of the reasons for such discrepancy and the fairness of the transaction price:</p> <p>(i) The appraisal results differ from the transaction amount by twenty percent (20%) or greater;</p> <p>(ii) The difference between the appraisal result provided by two or more professional appraisers and the</p>

Section	Proposed Changes	Current Articles
Article 7	<p>transaction price is ten percent (10%) or greater.</p> <p>(d) Report made by the professional appraiser shall not be dated beyond three (3) months prior to the date of the contract; however, where an appropriate value published during the same period but not exceeding six (6) months, the original professional appraiser may issue its opinion in respect of the said value.</p> <p>(e) Where real property or other fixed assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace appraisal reports or accountants' opinions.</p> <p>3) Process in Determining Authorized Investment Limit and Responsible Units Prior to the Company acquiring or disposing real property, equipment, <u>or right-of-use assets thereof</u>, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the President (or any person so authorized by the President) shall have the authority to approve/disapprove investments which amount is below NT\$10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>	<p>transaction price is ten percent (10%) or greater.</p> <p>(d) Report made by the professional appraiser shall not be dated beyond three (3) months prior to the date of the contract; however, where an appropriate value published during the same period but not exceeding six (6) months, the original professional appraiser may issue its opinion in respect of the said value.</p> <p>(e) Where real property or other fixed assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace appraisal reports or accountants' opinions.</p> <p>3) Process in Determining Authorized Investment Limit and Responsible Units Prior to the Company acquiring or disposing real property <u>or</u> equipment, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the President (or any person so authorized by the President) shall have the authority to approve/disapprove investments which amount is below NT\$10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>
Article 8	<p>Transaction with Related Parties</p> <p>1) Where the Company acquired or disposed real property from or to related parties, without prejudice to the applicability of the aforesaid articles in respect of real property, the Company shall pursuant to the provisions of the Article undertake the relevant resolution and appraisal of the fairness of transaction conditions, etc., and shall pursuant to the provisions of this Article obtain appraisal reports made by professional appraisers or accountants'</p>	<p>Transaction of Real Property with Related Parties</p> <p>1) Where the Company acquired or disposed real property from or to related parties, without prejudice to the applicability of the aforesaid articles in respect of real property, the Company shall pursuant to the provisions of the Article undertake the relevant resolution and appraisal of the fairness of transaction conditions, etc., and shall pursuant to the provisions of this Article obtain appraisal reports made by professional appraisers or accountants'</p>

Section	Proposed Changes	Current Articles
Article 8	<p>opinions when the transaction amount is ten percent (10%) of the total assets of the Company or more. In deciding whether the other party to the transaction is related party, in addition to the forms as provided by law, the Company shall also consider the substantive relationship.</p> <p>2) Evaluation and Procedures</p> <p>The Company shall, if it acquires or disposes real property <u>or right-of-use assets thereof</u> from or to related parties, or if it acquires or disposes other assets except real property <u>or right-of-use assets thereof</u> from or to related parties and the said transaction amount is twenty percent (20%) of the paid-in capital of the Company, or ten percent (10%) of the total assets of the Company, or NT\$300 million or more, except in trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, submit to the Audit Committee and the Board of Directors for approval of the following information prior to the signing of the transaction contract and making payments:</p> <p>(a) Purpose of acquiring or disposing the said assets, its necessity and projected benefits;</p> <p>(b) Reasons for transacting with related parties;</p> <p>(c) Information relating to the appraisal of the fairness of the proposed transaction conditions pursuant to items 3) (a) and (d) herein, when acquiring real property <u>or right-of-use assets thereof</u> from related parties;</p> <p>(d) Date and price of acquisition by the related party, party to the transaction and relationship between the said party and the Company and related party;</p> <p>(e) Forecast of monthly cash income within one (1) year from the date of the contract; furthermore evaluation shall be conducted in respect of the necessity of the transaction and the fairness of the use³ of fund; and</p> <p>(f) Pursuant to the paragraph 1 of this Article, the appraisal reports made by</p>	<p>opinions when the transaction amount is ten percent (10%) of the total assets of the Company or more. In deciding whether the other party to the transaction is related party, in addition to the forms as provided by law, the Company shall also consider the substantive relationship.</p> <p>2) Evaluation and Procedures</p> <p>The Company shall, if it acquires or disposes real property from or to related parties, or if it acquires or disposes other assets except real property from or to related parties and the said transaction amount is twenty percent (20%) of the paid-in capital of the Company, or ten percent (10%) of the total assets of the Company, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, submit to the Audit Committee and the Board of Directors for approval of the following information prior to the signing of the transaction contract and making payments:</p> <p>(a) Purpose of acquiring or disposing the said assets, its necessity and projected benefits;</p> <p>(b) Reasons for transacting with related parties;</p> <p>(c) Information relating to the appraisal of the fairness of the proposed transaction conditions pursuant to items 3) (a) and (d) herein, when acquiring real property from related parties;</p> <p>(d) Date and price of acquisition by the related party, party to the transaction and relationship between the said party and the Company and related party;</p> <p>(e) Forecast of monthly cash income within one (1) year from the date of the contract; furthermore evaluation shall be conducted in respect of the necessity of the transaction and the fairness of the use of fund; and</p> <p>(f) Pursuant to the paragraph 1 of this Article, the appraisal reports made by</p>

Section	Proposed Changes	Current Articles
Article 8	<p>the professional appraisers or accountants' opinions.</p> <p>(g) Restrictions on this transaction and other key contractual issues.</p> <p>When a matter is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board meeting.</p> <p>3) Evaluation of the Fairness of Transaction Costs</p> <p>(a) In the case of the Company obtaining real property <u>or right-of-use assets thereof</u> from related parties, it shall evaluate the fairness of the transaction costs in the following manner:</p> <p>(i) Addition to the related party's transaction price the necessary interest on funding and the costs to be borne by the purchaser. "Necessary interest on Funding" shall be calculated by the weighted average interest rate over the period during which the asset is purchased on the amount of money borrowed by the Company in its purchase of the said asset, subject to it being not higher than the maximum interest rate charged by non-financial institutions as published by the Ministry of Finance.</p> <p>(ii) In the case of related party having previously pledged the subject matter with financial institutions, the total appraised value for the subject matter by the said financial institution for the purpose of the extension of the loan shall be used, subject to the total cumulative amount of loans by the said financial institution not being lesser than seventy percent (70%) of the appraised value of such subject matter and that the loan period was for a period of one (1) year or more. The aforesaid shall not be apply where the said financial institution and the party to the transaction are themselves related parties.</p>	<p>the professional appraisers or accountants' opinions.</p> <p>(g) Restrictions on this transaction and other key contractual issues.</p> <p>When a matter is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board meeting.</p> <p>3) Evaluation of the Fairness of Transaction Costs</p> <p>(a) In the case of the Company obtaining real property from related parties, it shall evaluate the fairness of the transaction costs in the following manner:</p> <p>(i) Addition to the related party's transaction price the necessary interest on funding and the costs to be borne by the purchaser. "Necessary interest on Funding" shall be calculated by the weighted average interest rate over the period during which the asset is purchased on the amount of money borrowed by the Company in its purchase of the said asset, subject to it being not higher than the maximum interest rate charged by non-financial institutions as published by the Ministry of Finance.</p> <p>(ii) In the case of related party having previously pledged the subject matter with financial institutions, the total appraised value for the subject matter by the said financial institution for the purpose of the extension of the loan shall be used, subject to the total cumulative amount of loans by the said financial institution not being lesser than seventy percent (70%) of the appraised value of such subject matter and that the loan period was for a period of one (1) year or more. The aforesaid shall not be apply where the said financial institution and the party to the transaction are themselves related parties.</p>

Section	Proposed Changes	Current Articles
Article 8	<p>(b) Where both the land and the buildings on it are purchased or <u>rented in toto</u>, the transaction costs for both the land and the buildings shall be separately evaluated using either of the abovementioned methods.</p> <p>(c) In the case of the Company acquiring real property <u>or right-of-use assets thereof</u> from related parties, in addition to the appraisal of the costs of the said real property <u>or right-of-use assets thereof</u> in the manner provided above, the Company shall furthermore engage accountants to review and provide their opinions in respect of the same.</p> <p>(d) Under any one of the following circumstances in which the Company acquires real property <u>or right-of-use assets thereof</u> from related parties, it needs to only undertake items 1) and 2) herein; the evaluation of fairness of transaction cost as provided for in items (a), (b) and (c) hereunder shall not apply:</p> <p>(i) The related party having obtained the real property <u>or right-of-use assets thereof</u> by way of inheritance of gift;</p> <p>(ii) The time lapse between the related party's contract for acquisition of the real property <u>or right-of-use assets thereof</u> and this transaction exceeds five (5) years; or</p> <p>(iii) The Company obtaining the real property by way of joint-development contract entered with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.</p> <p>(iv) <u>The real property right-of-use assets for business use are acquired by the company and its subsidiaries, or by its subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></p> <p>(e) Where the evaluated results pursuant to items (a) and (b) hereinabove are lower than the transaction price, the Company</p>	<p>(b) Where both the land and the buildings on it are purchased <i>in toto</i>, the transaction costs for both the land and the buildings shall be separately evaluated using either of the abovementioned methods.</p> <p>(c) In the case of the Company acquiring real property from related parties, in addition to the appraisal of the costs of the said real property in the manner provided above, the Company shall furthermore engage accountants to review and provide their opinions in respect of the same.</p> <p>(d) Under any one of the following circumstances in which the Company acquires real property from related parties, it needs to only undertake items 1) and 2) herein; the evaluation of fairness of transaction cost as provided for in items (a), (b) and (c) hereunder shall not apply:</p> <p>(i) The related party having obtained the real property by way of inheritance of gift;</p> <p>(ii) The time lapse between the related party's contract for acquisition of the real property and this transaction exceeds five (5) years; or</p> <p>(iii) The Company obtaining the real property by way of joint-development contract entered with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.</p> <p>(e) Where the evaluated results pursuant to items (a) and (b) hereinabove are lower than the transaction price, the Company</p>

Section	Proposed Changes	Current Articles
Article 8	<p>shall follow items (f) and (g) hereunder, however, under one of the following situations, with the objective evidence, professional appraisal for the real property and the accountants' opinion of the fairness of the transaction being provided, the aforesaid shall not apply:</p> <p>(i) The related party having undertaken construction on undeveloped land or rented land, may offer evidence in respect of its conformity to one of the following conditions:</p> <p>A. The undeveloped land being valued in the methods provided hereinabove, and the building being valued by adding reasonable development profits to their construction costs, and the total amount exceeding the actual transaction price. "Reasonable development profits" herein shall comprise of the average gross profit margin of the related party's construction department within the last three (3) years, or the latest gross profit margin for the construction industry published by the Ministry of Finance, whichever is the lower;</p> <p>B. Successful <u>transactions</u> by non-related parties involving other floors of the same subject matter or of the neighboring areas within the past one (1) year, with comparable areas, and their transaction conditions being comparable to those of transactions with evaluations of acceptable price difference between floor levels or areas in accordance with the practice for sale and purchase <u>or rental</u> of real property.</p>	<p>shall follow items (f) and (g) hereunder, however, under one of the following situations, with the objective evidence, professional appraisal for the real property and the accountants' opinion of the fairness of the transaction being provided, the aforesaid shall not apply:</p> <p>(i) The related party having undertaken construction on undeveloped land or rented land, may offer evidence in respect of its conformity to one of the following conditions:</p> <p>A. The undeveloped land being valued in the methods provided hereinabove, and the building being valued by adding reasonable development profits to their construction costs, and the total amount exceeding the actual transaction price. "Reasonable development profits" herein shall comprise of the average gross profit margin of the related party's construction department within the last three (3) years, or the latest gross profit margin for the construction industry published by the Ministry of Finance, whichever is the lower;</p> <p>B. Successful <u>deals</u> made by non-related parties involving other floors of the same subject matter or of the neighboring areas within the past one (1) year, with comparable areas, and their transaction conditions being comparable to those of transactions with evaluations of acceptable price difference between floor levels or areas in accordance with the practice for sale and purchase of real property.</p> <p>C. <u>Successful rental cases by non-related parties involving other floors of the subject matter within the past one (1) year and with non-related parties, their conditions being comparable to those of rental agreements in</u></p>

Section	Proposed Changes	Current Articles
Article 8	<p>(ii) The Company providing evidence that the transaction conditions of its purchase <u>or rental of real property right-of-use assets</u> from related party are comparable with those successful cases within the neighboring areas within the past one (1) year and between non-related parties and with approximately similar space. “Successful <u>transactions</u> within the neighboring areas” shall in principle include those in the same or adjacent street and within a radius of five hundred (500) meters of the subject matter or where their published current values are approximately similar. “Approximately similar space” shall in principle include the spaces of those <u>transacted</u> cases between non-related parties that are not less than fifty percent (50%) of that of the subject matter.</p> <p>(f) Where the appraisal results pursuant to the preceding acquisition of real property <u>or right-of-use assets thereof</u> are all lower than the transaction price, the Company shall undertake the following:</p> <p>(i) With respect to the difference between the transaction price for the real property <u>or right-of-use assets thereof</u> and the evaluated costs, set aside special profit/loss reserve, in compliance with Article 41/(1) of the Securities and Exchange Act, which shall not be distributed or allocated in the form of stock dividends. Where investors of the Company that adopt the equity accounting in respect of their investments in the Company are public companies, the investor shall set aside special profit/loss reserve for the amount according to their respective shareholding;</p>	<p><u>which there are estimates of acceptable difference between floor levels in accordance with the practice for rental of real property.</u></p> <p>(ii) The Company providing evidence that the dealing conditions of its purchase of real property from related party are comparable with those successful cases within the neighboring areas within the past one (1) year and between non-related parties and with approximately similar space. “Successfully <u>dealt</u> cases within the neighboring areas” shall in principle include those in the same or adjacent street and within a radius of five hundred (500) meters of the subject matter or where their published current values are approximately similar. “Approximately similar space” shall in principle include the spaces of those <u>dealt</u> cases between non-related parties that are not less than fifty percent (50%) of that of the subject matter.</p> <p>(f) Where the appraisal results pursuant to the preceding items are all lower than the transaction price, the Company shall undertake the following:</p> <p>(i) With respect to the difference between the transaction price for the real property and the evaluated costs, set aside special profit/loss reserve, in compliance with Article 41/(1) of the Securities and Exchange Act, which shall not be distributed or allocated in the form of stock dividends. Where investors of the Company that adopt the equity accounting in respect of their investments in the Company are public companies, the investor shall set aside special profit/loss reserve for the amount according to their respective shareholding;</p>

Section	Proposed Changes	Current Articles
Article 8	<p>(ii) The Independent Directors shall undertake measures in compliance with Article 218 of the Company Act;</p> <p>(iii) The shareholders' meeting shall be informed of measures under items (i) and (ii) hereinabove, with details of the transaction to be disclosed in the Company's annual report or prospectus.</p> <p>(g) Where the Company has set aside a special reserves under preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or <u>rented</u> at premium, or they have been disposed of, <u>or rental agreement has been terminated</u>, or adequate compensation had been made, or status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p> <p>(h) When the Company obtains real property <u>or right-of-use assets thereof</u> from a related party, it shall also comply with the provisions of the preceding paragraph (f) and (g) if there is other evidence indicating that the acquisition was not an arm's length transaction.</p> <p>4) Process in determining authorized investment limit and responsible units Prior to the Company and its subsidiaries, <u>or its subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or authorized capital acquiring or disposing for operational purposes of the following : (a) equipment or right-of-use assets thereof; or (b) real property or right-of-use assets thereof</u>, from or to its subsidiaries, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. When the dollar amount of the said transactions is below NT\$300 million; the Chairman shall have the authority to approve/disapprove the said transactions. In any case, the said transactions shall be</p>	<p>(ii) The Independent Directors shall undertake measures in compliance with Article 218 of the Company Act;</p> <p>(iii) The shareholders' meeting shall be informed of measures under items (i) and (ii) hereinabove, with details of the transaction to be disclosed in the Company's annual report or prospectus.</p> <p>(g) Where the Company has set aside a special reserves under preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at premium, or they have been disposed of, or adequate compensation had been made, or status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p> <p>(h) When the Company obtains real property from a related party, it shall also comply with the provisions of the preceding paragraph (f) and (g) if there is other evidence indicating that the acquisition was not an arm's length transaction.</p> <p>4) Process in determining authorized investment limit and responsible units Prior to the Company <u>acquiring or disposing equipment for operational purposes</u> from or to its subsidiaries, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. When the dollar amount of the said transactions is below NT\$300 million; the Chairman shall have the authority to approve/disapprove the said transactions. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>

Section	Proposed Changes	Current Articles
Article 8	<p>submitted to the immediate following meeting of the Board of Directors for ratification.</p> <p>5) With respect to the regulations of 10 percent of total assets, the calculation is based upon total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>5) With respect to the regulations of 10 percent of total assets, the calculation is based upon total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>
Article 9	<p>Acquisition or Disposition of <u>Intangible Assets, Right-of-Use Assets thereof, or Club Membership</u></p> <p>1) Evaluation and Process</p> <p>(a) Acquisition or disposition of club memberships shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration fair market price, and compiled into analysis report. Where the transaction is NT\$3 million or below, the said analysis report shall be submitted to the President for approval before submitting to the Board of Directors at the immediate following meeting for review. Where the transaction is above NT\$3 million, the approval of the Board of Directors shall be required before proceeding with the same.</p> <p>(b) Acquisition or disposition of intangible assets <u>or right-of-use assets thereof</u> shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration expert's valuation report or fair market price, and compiled into analysis reports. Where the transaction is NT\$3 million or below, the said analysis report shall be submitted to the President for approval before submitting to the Board of Directors at the immediate following meeting for review. Where the transaction is above NT\$3 million, the approval of the Board of Directors shall be required before proceeding with the same.</p> <p>2) Expert's Valuation Report</p>	<p>Acquisition of <u>Club Membership or Intangible Assets</u></p> <p>1) Evaluation and Process</p> <p>(a) Acquisition or disposition of club memberships shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration fair market price, and compiled into analysis report. Where the transaction is NT\$3 million or below, the said analysis report shall be submitted to the President for approval before submitting to the Board of Directors at the immediate following meeting for review. Where the transaction is above NT\$3 million, the approval of the Board of Directors shall be required before proceeding with the same.</p> <p>(b) Acquisition or disposition of intangible assets shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration expert's valuation report or fair market price, and compiled into analysis reports. Where the transaction is NT\$3 million or below, the said analysis report shall be submitted to the President for approval before submitting to the Board of Directors at the immediate following meeting for review. Where the transaction is above NT\$3 million, the approval of the Board of Directors shall be required before proceeding with the same.</p> <p>2) Expert's Valuation Report <u>on Club Membership or Intangible Assets</u></p>

Section	Proposed Changes	Current Articles
Article 9	<p>(a) Expert’s valuation report shall be required in the case of acquisition or disposition of intangible assets, <u>or right-of-use assets thereof, or club membership</u>.</p> <p>(b) Where the transaction amount for acquisition or disposition of <u>intangible assets, or right-of-use assets thereof, or club membership</u> exceeds twenty percent (20%) of the Company’s paid-in capital of NT\$300 million, except in transaction with <u>domestic</u> government agency, accountants shall be engaged, prior to the date of occurrence, to provide an opinion with respect to the fairness of the transaction price; the said accountants shall undertake the same in conformity with Auditing Standards No. 20 promulgated by the ARDF.</p> <p>(c) Where the club membership or intangible assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace valuation reports or accountants’ opinions.</p> <p>3) Implementation The Company may only proceed with the acquisition or disposition of intangible assets, <u>or right-of-use assets thereof, or club membership</u> after the Accounting Department has submitted its application for approval in accordance with item (1) hereunder.</p>	<p>(a) Expert’s valuation report shall be required in the case of acquisition or disposition of intangible assets.</p> <p>(b) Where the transaction amount for acquisition or disposition of <u>club membership or intangible assets</u> exceeds twenty percent (20%) of the Company’s paid-in capital of NT\$300 million, except in transaction with government agency, accountants shall be engaged, prior to the date of occurrence, to provide an opinion with respect to the fairness of the transaction price; the said accountants shall undertake the same in conformity with Auditing Standards No. 20 promulgated by the ARDF.</p> <p>(c) Where the club membership or intangible assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace valuation reports or accountants’ opinions.</p> <p>3) Implementation The Company may only proceed with the acquisition or disposition of <u>club membership</u> or intangible assets after the Accounting Department has submitted its application for approval in accordance with item (1) hereunder.</p>
Article 9-1	<p>The calculation of the dollar amount of the transactions referred to in the paragraph 1 of Article 6, Article 7, and Article 8, and transactions referred to in the Article 9 shall be done in accordance with Article 12, paragraph 1-(g) herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or an accountant’s opinion has been obtained need not be counted toward the dollar amount of transactions. The calculation of the dollar amount of the transactions referred to in the paragraph 2 of</p>	<p>The calculation of the dollar amount of the transactions referred to in the paragraph 1 of Article 6, Article 7, and Article 8, and transactions referred to in the Article 9 shall be done in accordance with Article 12, paragraph 1-(i) herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or an accountant’s opinion has been obtained need not be counted toward the dollar amount of transactions. The calculation of the dollar amount of the transactions referred to in the paragraph 2 of</p>

Section	Proposed Changes	Current Articles
Article 9-1	Article 8 be made in accordance with Article 12, paragraph 1-(<u>g</u>) herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by Audit Committee and Board of Directors need not be counted toward the dollar amount of transactions.	Article 8 be made in accordance with Article 12, paragraph 1-(<u>i</u>) herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by Audit Committee and Board of Directors need not be counted toward the dollar amount of transactions.
Article 12	<p>Procedures for Public Disclosure of Information</p> <p>1) Items to be publicly disclosed and standard for public disclosure and report</p> <p>(a) Acquisition or disposal of real property <u>or right-of-use assets thereof</u> from or to a related party, or acquisition or disposal of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company’s total assets, or NT\$300 million or more; provided, this shall not apply to trading of <u>domestic</u> government bonds, bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises;</p> <p>(b) Undertaking merger, demerger, acquisition or shareholding transfer;</p> <p>(c) Loss in derivative trade in an amount exceeding the limits for all trades or individual trade as stipulated in Article 10 1) (f);</p> <p>(d) The assets so acquired or disposed are equipment <u>or right-of-use assets thereof</u> for business purposes and in which the counterparties are not related parties, and the transaction amount exceeds NT\$1 billion.</p> <p>(e) Real property <u>acquired from unrelated parties</u> by way of entrusted construction on own land, engaging others to construct on rented land, division of property or profits deriving from sale of property following joint-development, where the projected amount to be invested in the transaction reaches NT\$500 million.</p> <p>(f) Transactions relating to assets other than those stipulated hereinabove, or</p>	<p>Procedures for Public Disclosure of Information</p> <p>1) Items to be publicly disclosed and standard for public disclosure and report</p> <p>(a) Acquisition or disposal of real property from or to a related party, or acquisition of disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company’s total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds, bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises;</p> <p>(b) Undertaking merger, demerger, acquisition or shareholding transfer;</p> <p>(c) Loss in derivative trade in an amount exceeding the limits for all trades or individual trade as stipulated in Article 10 1) (f);</p> <p>(d) <u>The assets</u> so acquired or disposed <u>are</u> equipment for business purposes and in which the counterparties are not related parties, and the transaction amount exceeds NT\$1 billion.</p> <p>(e) Real property acquired by way of entrusted construction on own land, engaging others to construct on rented land, division of property or profits deriving from sale of property following joint-development, where the projected amount to be invested in the transaction reaches NT\$500 million.</p> <p>(f) Transactions relating to assets other than those stipulated hereinabove, or</p>

Section	Proposed Changes	Current Articles
Article 12	<p>undertaking investments in Mainland, where their transaction amount reach twenty percent (20%) of the Company's paid-in capital or equal or greater than NT\$300 million, with the following exceptions:</p> <ul style="list-style-type: none"> (i) Sale and purchase of <u>domestic</u> government bonds; (ii) Sale and purchase of bonds with call or put options, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises. <p>(g) The calculation of transaction amount for (f) hereinabove as follows:</p> <ul style="list-style-type: none"> (i) Each single transaction amount; (ii) Cumulative amount for transactions with the same counterparty within one (1) year or acquisition or disposal of subject matters of similar nature; (iii) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of real property or right-of-use assets thereof under the same development project within one (1) year; (iv) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of the same securities within one (1) year. <p>(h) "Within one (1) year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>2) Time Limit for Public Announcement and Reports Public announcement and submission of report in respect of acquisition or disposition of assets by the Company under items (a) to (f) above shall be undertaken within two (2) days of the occurrence of the event.</p> <p>3) Procedure for Public Announcement (a) The Company shall undertake public announcement and report at the web-site</p>	<p>undertaking investments in Mainland, where their transaction amount reach twenty percent (20%) of the Company's paid-in capital or equal or greater than NT\$300 million, with the following exceptions:</p> <ul style="list-style-type: none"> (i) Sale and purchase of government bonds; (ii) Sale and purchase of bonds with call or put options, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises. <p>(g) The calculation of transaction amount for (f) hereinabove as follows:</p> <ul style="list-style-type: none"> (i) Each single transaction amount; (ii) Cumulative amount for transactions with the same counterparty within one (1) year or acquisition or disposal of subject matters of similar nature; (iii) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of real property or right-of-use assets thereof under the same development project within one (1) year; (iv) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of the same securities within one (1) year. <p>(h) "Within one (1) year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>2) Time Limit for Public Announcement and Reports Public announcement and submission of report in respect of acquisition or disposition of assets by the Company under items (a) to (f) above shall be undertaken within two (2) days of the occurrence of the event.</p> <p>3) Procedure for Public Announcement (a) The Company shall undertake public announcement and report at the web-site</p>

Section	Proposed Changes	Current Articles
Article 12	<p>appointed by the FSC;</p> <p>(b) The Company shall on a monthly basis, and before the 10th day of each month, enter at the information and reporting web-site appointed by the FSC, all derivative trades undertaken for the preceding month by the Company and its non-public subsidiaries;</p> <p>(c) Where there are errors and omissions for which corrections are required in the Company’s public announcement and reports in conformity with regulations, the Company shall cause all of the items to be re-published within two (2) days after becoming aware of these errors and omission;</p> <p>(d) Where any of the following events has occurred following the Company’s public announcement and reports in respect of its transaction pursuant to regulations, the Company shall within two (2) days, commencing immediately from the date of the occurrence of the said events, undertake public announcement and report in respect of the relevant information at the web-site appointed by FSC:</p> <p>(i) Amendment, termination or cancellation of the contracts relating to the original transaction;</p> <p>(ii) Failure of merger, demerger, acquisition or shareholding transfer to be completed at the prescribed dates.</p> <p>(iii) Change to the originally publicly announced and reported information.</p> <p>4) Format of Public Announcement The necessary items and contents of public announcement which the Company shall comply with are referred to the appendixes of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>	<p>appointed by the FSC;</p> <p>(b) The Company shall on a monthly basis, and before the 10th day of each month, enter at the information and reporting web-site appointed by the FSC, all derivative trades undertaken for the preceding month by the Company and its non-public subsidiaries;</p> <p>(c) Where there are errors and omissions for which corrections are required in the Company’s public announcement and reports in conformity with regulations, the Company shall cause all of the items to be re-published within two (2) days after becoming aware of these errors and omission;</p> <p>(d) Where any of the following events has occurred following the Company’s public announcement and reports in respect of its transaction pursuant to regulations, the Company shall within two (2) days, commencing immediately from the date of the occurrence of the said events, undertake public announcement and report in respect of the relevant information at the web-site appointed by FSC:</p> <p>(i) Amendment, termination or cancellation of the contracts relating to the original transaction;</p> <p>(ii) Failure of merger, demerger, acquisition or shareholding transfer to be completed at the prescribed dates.</p> <p>(iii) Change to the originally publicly announced and reported information.</p> <p>4) Format of Public Announcement The necessary items and contents of public announcement which the Company shall comply with are referred to the appendixes of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>
Article 14	<p>Subsidiaries of the Company shall comply with the following:</p> <p>1) The subsidiaries shall also formulate and implement their respective “Procedures for Acquisition or Disposition of Assets” in accordance with the provisions of “Regulations Governing Acquisition and</p>	<p>Subsidiaries of the Company shall comply with the following:</p> <p>1) The subsidiaries shall also formulate and implement their respective “Procedures for Acquisition or Disposition of Assets” in accordance with the provisions of “Regulations Governing Acquisition and</p>

Section	Proposed Changes	Current Articles
Article 14	<p>Disposition of Assets by Public Companies”, after the approval of their respective Board of Directors and shareholders’ meeting, a copy of the said procedures shall be submitted to the accounting department of the Company for supervision. The aforesaid shall also apply to amendments to the said procedures.</p> <p>2) The Board of Directors of the respective subsidiaries shall formulate the limits in respect of the said subsidiaries’ acquisition of real property <u>and right-of-use assets thereof</u> that are not for business use or the aggregate amount of securities or individual securities it may invest.</p> <p>3) Where the subsidiaries are not local public companies, the Company shall undertake the public announcement and report in respect of the said subsidiaries’ acquisition or disposal of assets, where the same are required to be disclosed pursuant to the provisions of “Regulations Governing Acquisition or Disposition of Assets by Public Companies”.</p> <p>4) For public announcement and reports of subsidiaries, <u>“the paid-in capital or total assets”</u> shall mean the paid-in capital and the total assets of the Company.</p> <p>5) Subsidiaries of the Company shall on their own evaluation whether their procedures in relation to Acquisition and Disposition of Assets are in compliance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and whether acquisition and disposition of assets are in compliance with their procedures. The Company’s internal audit department shall review the self-evaluation reports of the said subsidiaries.</p>	<p>Disposition of Assets by Public Companies”, after the approval of their respective Board of Directors and shareholders’ meeting, a copy of the said procedures shall be submitted to the accounting department of the Company for supervision. The aforesaid shall also apply to amendments to the said procedures.</p> <p>2) The Board of Directors of the respective subsidiaries shall formulate the limits in respect of the said subsidiaries’ acquisition of real property that are not for business use or the aggregate amount of securities or individual securities it may invest.</p> <p>3) Where the subsidiaries are not local public companies, the Company shall undertake the public announcement and report in respect of the said subsidiaries’ acquisition or disposal of assets, where the same are required to be disclosed pursuant to the provisions of “Regulations Governing Acquisition or Disposition of Assets by Public Companies”.</p> <p>4) For public announcement and reports of subsidiaries, <u>“twenty percent (20%) of the companies’ paid-in capital, or ten percent (10%) of the total assets”</u> shall mean the paid-in capital and the total assets of the Company.</p> <p>5) Subsidiaries of the Company shall on their own evaluation whether their procedures in relation to Acquisition and Disposition of Assets are in compliance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and whether acquisition and disposition of assets are in compliance with their procedures. The Company’s internal audit department shall review the self-evaluation reports of the said subsidiaries.</p>

ii. Please approve the proposal for the amendment of OUCG’s “Procedures for Acquisition or Disposal of Assets”

2. To amend the company bylaw of “Procedures for Capital Lending to Others” of Oriental Union Chemical Corporation

The Board of Directors proposes and recommends that each shareholder vote FOR the amendments of the company bylaw of “Procedures for Capital Lending to Others”.

Explanatory notes:

- i. Pursuant to the “Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies” and the letter issued by the Financial Supervisory Commission (Letter No. FSC 1080304826 on 7 March 2019), the revisions to the company bylaw of “Procedures for Capital Lending to Others of OUCC” is as follows:

Section	Proposed Changes	Current Articles
Article 2	<p>The total amount of loans extended by the Company to the Borrowers as set forth in Article 1 above shall not exceed fifty percent (50%) of the net worth of the last period audited or reviewed by its accountants ("the Company's Latest Net Worth").</p> <p>The amount of loans extended by the Company to the Business Partners shall not exceed the total amount involved in the business transactions between both parties. Total amount involved in the business transactions refers to the value represented by orders placed, sales or transactions contemplated by the parties in the most recent year.</p> <p>The total amount of loans extended by the Company to all Companies Seeking Short-Term Financing shall not exceed fifteen percent (15%) of the Company's Latest Net Worth. The amount of any individual loan hereunder shall not exceed five percent (5%) of the Company's Latest Net Worth.</p> <p>The accumulated balance of short-term loan of funds, <u>the amount of individual loan and the length of loan provided by the Company to any overseas subsidiary, over which the Company owns directly or indirectly 100% voting shares,</u> or by aforesaid overseas subsidiary to the Company, shall be pursuant to the lending company's Procedures for Capital Lending to Others stipulated, <u>yet with loan amount not limited to over forty percent (40%) of the lending company's net worth and the length restricted to one year.</u></p> <p>The financial reports of the Company are prepared according to IFRSs, the net worth in the Procedures is referred to the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>The total amount of loans extended by the Company to the Borrowers as set forth in Article 1 above shall not exceed fifty percent (50%) of the net worth of the last period audited or reviewed by its accountants ("the Company's Latest Net Worth").</p> <p>The amount of loans extended by the Company to the Business Partners shall not exceed the total amount involved in the business transactions between both parties. Total amount involved in the business transactions refers to the value represented by orders placed, sales or transactions contemplated by the parties in the most recent year.</p> <p>The total amount of loans extended by the Company to all Companies Seeking Short-Term Financing shall not exceed fifteen percent (15%) of the Company's Latest Net Worth. The amount of any individual loan hereunder shall not exceed five percent (5%) of the Company's Latest Net Worth.</p> <p>The accumulated balance of short-term loan of funds, <u>the amount of individual loan and the length of loan provided by the Company to any overseas subsidiary, over which the Company owns directly or indirectly 100% voting shares,</u> shall be pursuant to the lending company's Procedures for Capital Lending to Others stipulated.</p> <p>The financial reports of the Company are prepared according to IFRSs, the net worth in the Procedures is referred to the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>

Section	Proposed Changes	Current Articles
Article 8	<p>(Procedure for Public Notices and Announcement)</p> <p>The Company shall before the 10th day of each month publish and report the loans it and its subsidiaries extended and their balance amounts as of the end of last month.</p> <p>When limits of the Company's loans extended set below have occurred, the Company shall publish and report them within 2 days commencing immediately from the date of occurrence:</p> <p>(1) The balance of any and all loans extended by the Company and its subsidiaries has reached 20% of the Company's Latest Net Worth; or</p> <p>(2) The balance of loans extended by the Company and its subsidiaries to an individual company has reached 10% of the Company's Latest Net Worth; or</p> <p>(3) Any additional individual loan extended by the Company or its subsidiary exceeds NT\$10 million and has reached 2% or more of the Company's Latest Net Worth.</p> <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to item 3 of the preceding paragraph.</p> <p>The “public announcement and report” referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission for reporting information.</p> <p>“Date of occurrence” in these Procedures means the date of contract signing, date of payment, dates of Boards of Directors’ resolutions, or other date that can confirm the counterparty and <u>amount of the capital lending to</u>, whichever date is earlier.</p> <p>The Company shall assess the status of loans extended and reserve an appropriate amount to offset against bad loans. The Company shall furthermore disclose the relevant information in its financial statements and provide the chartered accountants with relevant materials for them to carry out the necessary audit processes.</p>	<p>(Procedure for Public Notices and Announcement)</p> <p>The Company shall before the 10th day of each month publish and report the loans it and its subsidiaries extended and their balance amounts as of the end of last month.</p> <p>When limits of the Company's loans extended set below have occurred, the Company shall publish and report them within 2 days commencing immediately from the date of occurrence:</p> <p>(1) The balance of any and all loans extended by the Company and its subsidiaries has reached 20% of the Company's Latest Net Worth; or</p> <p>(2) The balance of loans extended by the Company and its subsidiaries to an individual company has reached 10% of the Company's Latest Net Worth; or</p> <p>(3) Any additional individual loan extended by the Company or its subsidiary exceeds NT\$10 million and has reached 2% or more of the Company's Latest Net Worth.</p> <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to item 3 of the preceding paragraph.</p> <p>The “public announcement and report” referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission of <u>Executive Yuan</u> for reporting information.</p> <p>“Date of occurrence” in these Procedures means the <u>transaction</u> date for contract signing, date of payment, dates of Boards of Directors’ resolutions, or other date that can confirm the counterparty and the capital amount of the <u>transaction</u>, whichever date is earlier.</p> <p>The Company shall assess the status of loans extended and reserve an appropriate amount to offset against bad loans. The Company shall furthermore disclose the relevant information in its financial statements and provide the chartered accountants with relevant materials for them to carry out the necessary audit processes.</p>

ii. Please approve the proposal for the amendment on the company bylaw of “Procedures for Capital Lending to Others”.

3. To amend the company bylaw of “Procedures for Endorsements and Guarantees” of Oriental Union Chemical Corporation

The Board of Directors proposes and recommends that each shareholder vote FOR the amendments of the company bylaw of “Procedures for Endorsements and Guarantees”.

Explanatory notes:

- i. Pursuant to the “Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies” and the letter issued by the Financial Supervisory Commission (Letter No. FSC 1080304826 on 7 March 2019), the revisions to the company bylaw of “Procedures for Capital Lending to Others of OUCC” is as follows:

Section	Proposed Changes	Current Articles
Article 8	<p>The Company shall before the 10th day of each month publish and report the endorsements/guarantees it and its subsidiaries provided and their balance amounts as of the end of last month.</p> <p>Where limits of the Company’s endorsements/guarantees set below have occurred, the Company shall publish and report within 2 days commencing immediately from the date of occurrence.</p> <p>(1) The aggregate balance of endorsements/guarantees provided by the Company and its subsidiaries has reached 50% or more of the Company’s Latest Net Worth; or</p> <p>(2) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached 20% or more of the Company’s Latest Net Worth; or</p> <p>(3) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached Ten Million New Taiwan Dollars (NT\$10,000,000) or more and the aggregate amount of all endorsements/guarantees, any investment of <u>equity method booking amount</u> in, and balance of loans to, such company has reached 30% of the Company’s Latest Net Worth; or</p> <p>(4) The additional individual endorsement/guarantee provided by the Company or its subsidiary has reached Thirty Million New Taiwan Dollars (NT\$30,000,000) or more and has reached 5% or more of the Company’s Latest Net Worth.</p>	<p>The Company shall before the 10th day of each month publish and report the endorsements/guarantees it and its subsidiaries provided and their balance amounts as of the end of last month.</p> <p>Where limits of the Company’s endorsements/guarantees set below have occurred, the Company shall publish and report within 2 days commencing immediately from the date of occurrence.</p> <p>(1) The aggregate balance of endorsements/guarantees provided by the Company and its subsidiaries has reached 50% or more of the Company’s Latest Net Worth; or</p> <p>(2) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached 20% or more of the Company’s Latest Net Worth; or</p> <p>(3) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached Ten Million New Taiwan Dollars (NT\$10,000,000) or more and the aggregate amount of all endorsements/guarantees, any investment of <u>a long-term nature</u> in, and balance of loans to, such company has reached 30% of the Company’s Latest Net Worth; or</p> <p>(4) The additional individual endorsement/guarantee provided by the Company or its subsidiary has reached Thirty Million New Taiwan Dollars (NT\$30,000,000) or more and has reached 5% or more of the Company’s Latest Net Worth.</p>

Section	Proposed Changes	Current Articles
Article 8	<p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to any subparagraph of the preceding paragraph. The “public announcement and report” referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission for reporting information. “Date of occurrence” in these Procedures means the date of contract signing, date of payment, dates of Boards of Directors’ resolutions, or other date that can confirm the counterparty and monetary amount of the <u>endorsements/ guarantees</u>, whichever date is earlier.</p> <p>The Company shall assess the status of endorsements/guarantees provided and reserve an appropriate amount to offset against contingent loss. The Company shall furthermore disclose the relevant information in its financial statements and provide the certified accountants with relevant materials for them to carry out the necessary audit processes.</p>	<p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to any subparagraph of the preceding paragraph. The “public announcement and report” referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission of <u>Executive Yuan</u> for reporting information. “Date of occurrence” in these Procedures means the <u>transaction</u> date for contract signing, date of payment, dates of Boards of Directors’ resolutions, or other date that can confirm the counterparty and monetary amount of the <u>transaction</u>, whichever date is earlier.</p> <p>The Company shall assess the status of endorsements/guarantees provided and reserve an appropriate amount to offset against contingent loss. The Company shall furthermore disclose the relevant information in its financial statements and provide the certified accountants with relevant materials for them to carry out the necessary audit processes.</p>

- ii. Please approve the proposal for the amendment on the company bylaw of “Procedures for Endorsements and Guarantees”.

Extemporary Motions

General Information

1. Articles of Incorporation of Oriental Union Chemical Corporation

Last updated at June 8, 2018

Chapter 1 General Provisions

Article 1 The Company is duly incorporated under the provisions of the Company Act of the Republic of China, and shall be called: Oriental Union Chemical Corporation

Article 2 The Company's businesses are as follows :

1. C801010 Basic Chemicals
2. C801020 Petrochemical raw material manufacturing
3. C801060 Synthetic rubber manufacturing
4. C801100 Synthetic resin and plastic manufacturing
5. C802060 Animal-use drug manufacturing
6. CB01010 Mechanical equipment manufacturing
7. F107070 Wholesale of animal-use drug
8. F107200 Wholesale of chemical material
9. F100310 Wholesale of machinery
10. F401010 International trade
11. I103060 Management counselling
12. I501010 Product designing
13. IC01010 Drug examining
14. JE01010 Rental & leasing
15. C802041 Medicine manufacturing
16. C114010 Food additive manufacturing
17. ZZ99999 Except where permits are required, to run operations not forbidden or limited by laws and regulations

Article 3 The Company may provide guarantees for third parties in accordance with the Company bylaw of "Procedures for Endorsements and Guarantees".

Article 4 Where the Company invests in other companies and becomes a shareholder with limited liability; its total investment may exceed 40% of its paid-up capital regardless of the stipulated Article 13 of the Company Act, only subject to approval of the Board of Directors.

Article 5 The Company is incorporated in Taipei, the Republic of China; the Board of Directors may by resolution approve the establishment of domestic and international branches where it deems necessary.

Chapter 2 Share Capital

Article 6 The Company's total capital shall be Ten Billion New Taiwan Dollar (NT\$10,000,000,000) divided into 1,000,000,000 shares of NT\$10 each. The Board of Directors is authorized to issue separately the un-issued shares.

Out of the above total capital amount, One Hundred Million New Taiwan Dollar (NT\$100,000,000) shall be divided into 10,000,000 shares of NT\$10 each, to be issued as warrants for employees to subscribe.

Article 7 Shares issued by the Company are not required to be evidenced by share certificates, provided that they shall be recorded at the Securities Central Depository Enterprises. The Company can issue special stock.

In the event of the Company merging with another company, matters relating to the merger need not be approved by way of a resolution of the special shareholders meeting.

Article 8 Matters relating to the Company's shares shall be dealt with according to the provisions of "Regulations Governing Handling of Stock Affairs by Public Companies" and the relevant laws and regulations.

Article 9 Registration of share transfer shall be closed within 60 days prior to General Shareholders' Meeting, or within 30 days prior to Extraordinary Shareholders' Meeting or within 5 days prior to the record date on which Company distributes the dividends or bonuses.

Chapter 3 Shareholders' Meeting

Article 10 The Shareholders' Meetings shall be General or Extraordinary Shareholders' Meetings:
1. General Shareholders' Meeting shall be held once a year within 6 months of the end of the Company's financial year.
2. Extraordinary Shareholders' Meeting shall be convened pursuant to the relevant laws or regulations.

Article 11 Notices of General Shareholders' Meeting shall be in writing and delivered to the shareholders along with a public notice 30 days before the General Shareholders' Meeting and 15 days before the Extraordinary Shareholders' Meeting. The said notices shall specify the date, place and reasons for calling the shareholders' meeting.

Article 12 Unless otherwise stipulated by the Company Act, a quorum shall be present at the shareholders' meeting with shareholders representing more than half of the shares issued by the Company and resolutions at the said assembly shall be passed if approved by more than half of the shareholders in attendance.

Article 13 Shareholders may by way of power of attorney appoint proxies to attend the said shareholders' meeting. Except for trust enterprises or share registration agencies approved by the securities management authorities, when one shareholder is entrusted by two or more shareholders, the voting right represented by the said shareholder shall not exceed 3% of the voting rights of total shares issued. Where it has so exceeded, the voting right in excess shall not be included.

Unless otherwise stipulated by the Company Act, attendance of shareholder's proxies shall be in accordance with the provisions of "Regulation Governing the Use of Proxies For Attendance of Shareholders' Meeting of Public Companies".

Article 14 Unless otherwise stipulated by the Company Act and the Articles of Incorporation, shareholders' meeting shall be conducted in accordance with the Company's regulations for shareholders' meeting.

Article 15 Minutes and resolutions of shareholders' meeting shall be recorded and signed by or affixed with the seal of the chairman of the meeting. The said minutes and resolutions shall be kept, together with the register of shareholders' attendance and the proxies' powers of attorney, in compliance with the law.

Chapter 4 Directors

Article 16 There shall be 9 to 15 Directors of the Company, who are elected and appointed from the persons with legal capacity at the shareholders' meeting. The total shares number of the registered shares of the Company held by all of the Directors shall be determined according to the provisions of "Rules and Review Procedures for Director and Supervisor Ownership Ratios at Public Companies".

3 Independent Directors shall be elected from the list of persons with legal capacity. Directors shall be elected by adopting candidate nomination system in accordance with the Article 192-1 of Company Act. A shareholder shall elect from the nominees listed in the roster of candidates. The election of Independent, Non-Independent Directors should be held together, yet with the elected calculated separately.

Article 16-1 The Audit Committee, which is composed of all the Independent Directors, is installed in accordance with the Article 14-4 of Securities and Exchange Act, in charge of the execution of Company Act, Securities and Exchange Act, and other stipulated functions of Supervisors.

The members of Audit Committee, its functions and other mandates shall follow the relevant laws and regulations or corporate rules. The organization regulations will be enacted by Board of Directors.

Article 17 Each term of the Directors' appointments are for a period of 3 years. Same Directors may be reappointed following the re-election.

Article 18 Functions of Board or Directors are as follows:

1. The business guideline establishment
2. Inspection of the important rules and stipulations
3. Appointment and discharge of the managers
4. Establishment and removal of the branch institute
5. Inspection of the budget and financial statement
6. Proposal submission to the Shareholders' Meeting in regard to the change in Articles of Incorporation, capital and the dismissal or merge of the company
7. Proposal submission to the Shareholders' Meeting in regard to bonus allocation or rectification to the deficit
8. Inspection of the major procurement of sales agreement besides budget and business plan
9. Inspection of transactions in transference, sale, concession, mortgage, pledge, rental & leasing or other major disposal of assets, including real estate. Product trading under approved budget and business plan, which in compliance with Article 185 of Company Act, is not restricted.
10. Inspection of loaning or other capital raising activity
11. Inspection of reinvestment plan
12. Authorization of obtaining or bestowing relevant patent, technical data & knowledge, or trademark
13. Decision on the company's stock dividend policy
14. Other important issues

The preceding item 8 to item 11 may be approved by Board of Directors with the authorized amount, if needed, and be proceeded by the responsible department.

Article 19 Directors are required to select the Chairman among themselves pursuant to Article 208 of Company Act, and the same manner will apply to the Vice Chairman.

Article 20 Chairman is entitled to representing the Company.

Article 21 With the bestowed power, Chairman is fully in charge of all the important issues of the Company, and such power can only be restricted by relevant rules & stipulations, Shareholders' Meeting and Board of Directors' Meeting.

- Article 22 Except for the first Directors' Meeting of each term, which will be called by the Director who received a ballot representing the largest number of votes at the election, rest of the following Board of Directors' Meetings will be convened and presided by Chairman. A notification with the date, time and meeting agenda should be issued at least seven days before the meeting, however, in the case of emergency, the meeting may be convened at any time.
A notice to convene a Board Meeting shall be sent to all Directors via postal mail, email or fax.
- Article 23 The meeting shall be convened and presided by the Chairman of the Board of Directors. If the Chairman of the Board is on leave or unable to exert the rights, the Vice-Chairman shall preside instead, pursuant to Article 208 of Company Act. If the Vice-Chairman is on leave or unable to exert the rights, the Chairman shall designate a Director to preside at the meeting. If no Director is so designated, then one of Board members shall be chosen from among themselves to preside at the meeting.
- Article 24 Unless otherwise stipulated by the Company Act, a quorum shall be present at the Board of Directors if it is attended by more than half of the Directors, and a resolution passed if approved by a majority of the Directors in attendance.
- Article 25 In case a Director appoints another Director to attend the meeting on his/her behalf, he/she shall, in each time, issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting. Each Director is limited to accept one appointment to act as a proxy for the other Director.

Article 26 Directors shall exert the rights in accordance with the Board resolutions.

Article 27 (Deleted)

Article 28 (Deleted)

Chapter 5 Managers

Article 29 The Company shall have a President, a number of Vice Presidents and Managers.

Article 30 President as the Chief Operating Officer shall carry out the tasks assigned by Board of Directors' Meeting. If no such tasks, assignments from the Chairman shall be attended and fulfilled. Managers shall fulfill the tasks assigned by their superiors as of Vice Presidents, President, Chairman or Board of Directors.

Article 31 Chairman shall designate the candidate of an additional post which he deems necessary and assign his/her tasks.

Article 31-1 The Company shall purchase the liability insurance for Directors and important staff according to respective business scopes and liabilities pursuant to laws.

Chapter 6 Financial Statements

Article 32 The Company's fiscal year shall commence on the First of January of each year, and ends on the Thirty-first of December of the same year. The final accounts are settled at the end of the Company's fiscal year. The Board of Directors shall in accordance with law furnish various documents and statements and submit to the General Shareholders' Meeting for approval.

The said documents and statements shall be inspected by the CPAs, whose designation, discharge, and remuneration shall be approved by the Board of Directors.

Article 33 Should the Company have profit for the current year, the proportioned 1%-2% of the profit shall be allocated as employees' bonuses, and less than 1% as Directors' remuneration. However, if the Company has accumulated losses, the profit shall be

prioritized for deficit offset. Employees' bonuses could be in form of cash or stocks. The actual ratio, amount, form and number of stock are to be proposed to the Board of Directors, with over two thirds of the Directors in attendance, and passed and approved by the majority of Directors in attendance, prior to reporting to the General Shareholders' Meeting. Same shall be applied to the Directors' remuneration, the ratio and amount will be approved by the Board prior to the General Shareholders' Meeting.

Article 34 Apart from paying all its income taxes in the case where there are profits at the end of the year, the Company shall make up for accumulated losses in past years. Where there is still balance, 10% of which shall be set aside by the Company as legal reserve. In respect to certain business conditions, the Company may retain a portion of the special reserve as required by law together with undistributed profits from previous years, and distribute evenly the remainder to the shareholders. When there is a share capital increase, the allocated bonuses of the year for the new shares shall be dealt with according to the resolution of the General Shareholders' Meeting.

The allocation of dividends shall take into consideration the changes in the outlook for the Company's businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Dividends shall be distributed at the ratio as set forth in these Articles of Incorporation aimed at maintaining the stability of dividend distributions, improving the financial structure, reinvestments, production expansion or other capital expenditures in which capital is required. The dividends distributed shall be no less than 50% of the balance of net profit after tax and deduction of deficits offset, legal reserve and special reserve, and the cash dividends shall be not less than 10% of the aggregate sum of dividends and bonus distributed in the same year.

Chapter 7 Supplementary Provisions

Article 35 Whichever the party the Company is signing the contract with, the terms of the contract shall be based on fair competitiveness and interests of the Company.

Article 36 The internal organization and operational bylaw of the Company shall be determined by Board of Directors' Meeting.

Article 37 All matters not covered herein shall be undertaken in accordance with the Company Act of the Republic of China and the other relevant law and regulations.

Article 38 These Articles of Incorporation came into effect on November 7, 1975;

First amendment on January 26, 1976;

Second amendment on June 25, 1976;

Third amendment on September 28, 1978;

Fourth amendment on May 19, 1979;

Fifth amendment on June 27, 1980;

Sixth amendment on July 22, 1982;

Seventh amendment on December 6, 1982;

Eighth amendment on July 11, 1984;

Ninth amendment on May 22, 1985;

Tenth amendment on June 25, 1986;

Eleventh amendment on March 19, 1987;

Twelfth amendment on May 2, 1987;

Thirteenth amendment on May 28, 1988;

Fourteenth amendment on May 11, 1989;

Fifteenth amendment on March 22, 1990;
Sixteenth amendment on May 30, 1991;
Seventeenth amendment on April 17, 1992;
Eighteenth amendment on May 27, 1993;
Nineteenth amendment on May 23, 1994;
Twentieth amendment on April 19, 1995;
Twenty-first amendment on May 8, 1996;
Twenty-second amendment on May 16, 1997;
Twenty-third amendment on May 7, 1998;
Twenty-fourth amendment on April 30, 1999;
Twenty-fifth amendment on March 10, 2000;
Twenty-sixth amendment on May 3, 2001;
Twenty-seventh amendment on May 24, 2002;
Twenty-eighth amendment on May 13, 2004;
Twenty-ninth amendment on May 30, 2006;
Thirtieth amendment on June 3, 2009;
Thirty-first amendment on June 3, 2011;
Thirty-second amendment on June 5, 2012;
Thirty-third amendment on June 6, 2014;
Thirty-fourth amendment on June 7, 2016;
Thirty-fifth amendment on June 8, 2017;
Thirty-sixth amendment on June 8, 2018.

2. Meeting Rules of Stockholders for Oriental Union Chemical Corporation

Last updated by June 6, 2014

Article 1 The stockholders' meeting of the Company shall be held according to the rules herein.

Article 2 The location for stockholders' meeting shall be the Company's place of business or a place convenient for attendance by stockholders (or by proxies) that is suitable for holding such meeting. The meeting shall be held between 9:00AM and 3:00PM.

The stockholders' meeting notice shall state the registration time, location and other important information. The aforesaid registration time shall start at least thirty minutes before the beginning of the meeting. The registration desk shall be featured with clear instructions and competent staffs.

When convening stockholders' meeting, the Company shall incorporate electronic vote casting as one of the alternative ways to cast the vote, and the procedure of electronic casting shall be stated in the meeting notice. The stockholders who vote via electronic casting is deemed as presented in person. With respect to extemporary motions, amendments of the original proposals, and substitute proposals raised in the stockholders' meeting, those who vote via electronic casting shall be considered as abstain.

The stockholders (or by proxies) attending the Meeting shall have attendance card, sign-in card or other certificate of attendance issued by the Company. The proxy solicitor shall provide ID document for verification purpose. The stockholders (or by proxies) attending the meeting shall hand in signed attendance form.

Number of stockholders in attendance shall be calculated based on the number of attending shares, which equals to the sum of shares shown on the signed attended forms and the number of voting shares via electronic casting.

The Company may appoint lawyers, accountants or related personnel to attend the stockholders' meeting.

The personnel in charge of handling the affairs of the meeting shall wear identification badge or armband.

For a stockholders' meeting convened by the Board of Directors, the Chairman of the Board shall preside at the meeting. If Chairman of the Board is on leave or unable to exert the rights, the Vice-Chairman of the Board shall preside at the meeting instead. Should the Vice-Chairman position be vacant, or the Vice-Chairman is on leave or unable to exert the rights, the Chairman of the Board shall designate a Director to preside. If no Director is so designated, the Chairman of the meeting shall be elected by the Board of Directors from among themselves. If a Director presides at the meeting including the representative of an institutional Director, shall be appointed at least 6 months and familiar with the financial performance and operations of the Company. For a stockholders' meeting convened by any other person having the convening right, he/she shall act as the Chairperson of that meeting; if there are two or more persons having the convening right, the Chairperson of the meeting shall be elected from among themselves.

The complete processes of the meeting shall be recorded by voice and video recorders and all the records shall be kept by the Company for a minimum period of at least one year. If a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the video and audio records shall be retained until the conclusion of the litigation.

Article 3 The Chairperson shall announce the starting of the meeting when the attending stockholders (or proxies) represent more than half of the total shares issued in public. If the legal quorum is not present after the designated meeting time, the Chairperson may announce postponement of the meeting. Such postponement is limited to two times and the aggregated postponed time shall not exceed one hour. If quorum is still not present

after two postponements but the attending stockholders (or proxies) represent more than one third of the total shares issued in public, tentative resolution/s may be passed with respect to ordinary resolution/s by a majority of those present.

After proceeding with the aforesaid tentative resolutions, the Chairperson may put the tentative resolutions for re-voting over the meeting if and when the shares represented by the attending stockholders (or proxies) reached the legal quorum.

Article 4 If the stockholders' meeting is convened by the Board of Directors, the agenda shall be designated by the Board. The meeting shall proceed in accordance with the designated agenda and shall not be amended without resolutions.

If the meeting is convened by person, other than the Board of Directors, having the convening right, the provision set out in the preceding paragraph shall apply mutatis mutandis.

Except with stockholders' resolution, the Chairperson shall not declare adjournment of the meeting before the first two matters set out in the agendas (including extemporary motions) are concluded. During the meeting, if the Chairperson declares adjournment of the meeting in violation of the preceding rule, a new Chairperson may be elected by a resolution passed by majority of the attending stockholders to continue the meeting.

When the meeting is adjourned by resolution, the stockholders shall not elect another Chairperson to continue the meeting at the same location or another venue.

Article 5 The stockholders (or proxies) shall complete statement slip setting out the number of his/her attendance card, name and statement brief before speaking, and the Chairperson will designate the order in which each person is to speak during the session.

No statement will be considered to have been made if the stockholder (or proxies) merely completes the statement slip without speaking at the meeting. If there are any discrepancies between the content of the statement slip and the speech made, the statement to be adopted shall be the statement confirmed.

Article 6 Any proposal for the agendas shall be submitted in written form. Except for the proposals set out in the agenda, any proposal by the stockholders (or proxies) to amend, substitute or to initiate extemporary motions with respect to the original proposal shall be seconded by other stockholders (or proxies). The same rule shall apply to any proposal to amend the agenda and motion to adjourn the meeting. The shares represented by the proponents and the seconders shall reach 100,000.

Article 7 The explanation of proposal shall be limited to 5 minutes. The statement of inquiry and reply shall be limited to 3 minutes per person. The time may be extended for 3 minutes with the Chairperson's permission.

The Chairperson may restrain stockholders (or proxies) from speaking if the stockholders (or proxies) speak overtime, speak beyond the allowed frequency or content of the speech is beyond the scope of the proposal.

When a stockholder (or proxy) is speaking, other stockholder (or proxy) shall not interrupt without consent of the Chairperson and the speaking stockholder (or proxy). Any disobedient of the preceding rule shall be prohibited by the Chairperson. Article 15 of this meeting rule shall apply if the disobedient do not follow the Chairperson's instructions.

Article 8 For the same proposal, each person shall not speak more than 2 times.

When a juridical person is commissioned to attend the meeting, only one representative shall be appointed.

When an institutional stockholder appoints more than two representatives to attend the meeting, only one representative is allowed to speak.

- Article 9 After the attending stockholder (or proxy) voices his opinion, the Chairperson may reply in person or assign relevant officer to reply.
Over the proposal discussion, the chairperson may conclude the discussion in a timely manner and where necessary announce discussion is closed.
- Article 10 For proposal in which discussion has been concluded or closed, the Chairperson shall submit it for voting. No discussion or voting shall proceed for matters unrelated to the proposal.
The personnel responsible for overseeing and counting of the votes for resolutions shall be appointed by the Chairperson with the consent of the stockholders (or proxies).
The person responsible for vote overseeing shall be of the stockholder status.
- Article 11 In regards to the resolution of proposals, unless otherwise provided for in the relevant law and regulation or Company's Articles of Incorporation, resolution shall be passed by a majority of the voting rights represented by the stockholders (or proxies) attending the meeting.
The proposal for a resolution shall be deemed approved if no objection expressed by stockholders casting their votes via electronic casting, and if the Chairperson inquires and receives no objection from stockholders in attendance in person. The validity of such approval has the same effect as if the resolution has been put to vote.
Should objection of a proposal be expressed, such proposal shall be put to vote. All proposals may be put to vote one after the other by its sequence, or may be put to vote together and numbers of votes for each proposal are counted separately. Whichever way of the voting procedures shall be decided by the Chairperson
If there are amendments or substitute proposals for the same proposal, the sequence of which to be put to vote shall be decided by the Chairperson. If one of the two proposals has been approved, the other shall be deemed rejected and need no further vote.
The results of voting and election shall be announced after the vote calculation on the spot and kept for records.
- Article 12 During the meeting, the Chairperson may at his/her discretion declare time for break.
- Article 13 The meeting shall be adjourned if encountering an air-raid alarm during the meeting. The meeting shall resume one hour after the alarm is lifted.
- Article 14 The Chairperson may maintain the meeting order by instructing the security guards. The security guards shall wear the armband for identification when helping maintaining the venue order.
- Article 15 The stockholders (or proxies) shall obey the instructions of the Chairperson and security guards in terms of maintaining the order. The Chairperson or security guards may exclude the persons disturbing the stockholders' meeting from the meeting.
- Article 16 For matters not governed by the rules specified herein, shall be governed according to Company Act, Stock Exchange Law and the other related laws and regulations.
- Article 17 The rules herein take effect after approval at the stockholders' meeting, the same apply for any amendments.

Appendix

1. Current Shareholding of Directors

The list of the 15th term of Board of Directors of Oriental Union Chemical Corporation

Book closure date: 13 April 2019

Title	Name of persons or companies	Representative	Shareholdings	Ratio of shareholding
Directors	Douglas T. Hsu	—	1,664,781	0.19%
	Far Eastern New Century Corporation	Johnny Shih	81,217,005	9.17%
		Humphrey Cheng		
		Kao San Wu		
		Roy Wu		
	Yue Ming Trading Co. Ltd.	Justin Tsai	440,000	0.05%
	Yu Li Investment Corporation	Paul Chuang	4,861,781	0.55%
	Fu Da Transport Co. Ltd.	Eric Chueh	3,254,125	0.36%
Independent Directors	Walt Cheng	—	—	
	C.T. Chan	—	—	
	Ping Li	—	—	
The combined shareholding of all Directors on the book closure date			91,437,692	10.32%
The minimum required combined shareholding of all Directors by law			28,342,496	3.20%

2. Impact of the Stock Dividend Distribution on Operating Results, EPS and Shareholders' Return on Investment

Not applicable.



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