

Stock Code: 1308

# **Asia Polymer Corporation**

## **Handbook for the**

# **2018 Annual General Meeting of Shareholders**

**Date: June 5, 2018**

**Location: 5F.,No.2,Yuanshan Rd., Niasong Dist.,  
Kaohsiung City 833, Taiwan (R.O.C.)**

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

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# **Asia Polymer Corporation Procedure of the 2018 Annual General Meeting of Shareholders**

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7. Adjournment

# ASIA POLYMER CORPORATION

Year 2018

## Agenda of Annual Meeting of Shareholders

Date : Jun.5, 2018 (Tuesday) AM 09:00

Location : 5F., No.2,Yuanshan Rd., Niasong Dist.,  
Kaohsiung City 833, Taiwan (R.O.C.)

The Kaohsiung Grand Hotel, Po Shou Hall

### 1. Report Items :

(1)To report 2017 Operating results.

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

(3) To report 2017 remuneration of directors and  
employees.

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

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

### 2. Matters for Ratification and Discussion

(1)To ratify 2017 Business Report and Financial  
Statements.

(2)To ratify 2017 earnings distribution.

(3)To approve the capitalization on part of dividends.

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

(5)To approve the permission of directors for competitive actions.

3. Extemporary Motions

4. Adjournment

## **I. Report Items:**

Report 1

To report 2017 operating results.

### **Asia Polymer Corporation 2017 Business Report**

In 2017, the net sales amount was NT\$6.241 billion, NT\$492 million more compared to which of last year, with a budget achievement rate at 95%. The net profit before tax was NT\$653 million, NT\$138 million less compared to which of last year, with a budget achievement rate at 84% and net profit after tax amounting to NT\$565 million.

In 2017, raw material supply tightened as the annual maintenance period to repair cracking plans in Asia was longer at the beginning and end of the year. The material price rose accordingly as the oil price raised in the second half of the year. The annual average LDPE selling price increased by 4% compared to which of last year, while that of EVA remained unchanged. The annual unit material cost of ethylene increased by 7% compared to which of last year, and so did VAM, another major material of EVA, at 9%. As a result, the selling price to material spread was compressed. Compared to last year, the total sales volume of LDPE decreased by 1% while EVA increased by 20%. In terms of production, research and development, the LDPE and EVA output was 135,077 tons, increased by 11% compared to that of 2016. We completed the construction of the raw material recycling system on each production line to reduce raw material consumption developed new products to meet the market demand and constantly implemented occupational health and safety management.

Concluding the annual operational results, sales were challenged by price competitions against the neighboring competitors and resulted in the imbalance between cost & selling price even though we started the operations of new production lines and conducted into the dealing of those high value added products such as the grades for photovoltaic, precoated and high-end foaming applications, of which the achievement of our efforts in market is positively emerged, the annual operating income was NT\$467 million, NT\$98 million less than which of last year. The net non-operating income was NT\$186 million, NT\$40 million less compared to that of last year of which the net loss was from exchange due to NT Dollar appreciation and interest expense increased.

Looking out to 2018, the raw material price will still be kept at high level and price competitions from competitors will sustain at the beginning of the year. Therefore, we will effectively maintain the basic market and strengthen sales channels; insist on the investment, development and deployment of products with higher added value; accelerate the development of differentiated products and activate the market of traditional niche products; aggressively search for sources of low-price raw materials to secure cost competitiveness; maintain stable product quality and constant supply; monitor market supply/demand situation at all times; and implement flexible strategies in production-marketing layout to lower the impacts of the price competition of competitors and the high raw material price to turn situations into opportunities.

Chairperson: Quintin Wu

President: Kuo-hung Li

Chief Accounting Officer: Cheng-shun Chen

## **Report Items:**

Report 2

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

### **Asia Polymer Corporation Audit Report**

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

To

Asia Polymer Corporation 2018 Annual General Meeting of Shareholders

Audit Committee, Asia Polymer Corporation Annual General Meeting of Shareholders

Independent Director: Frank Chen

Independent Director: Shang-hung Shen

Independent Director: Dun-chien Cheng

March 12, 2018



## **Report Items:**

### Report 3

To report 2017 remuneration of directors and employees.

Description: 1. Proceeded in accordance with related orders of the Ministry of Economic Affairs and Article 18 of the Articles of Incorporation of the Company.

2. The remuneration of 2017 for employees will be distributed in cash at 1%, NT\$6,592,721, of the 2017 earnings, and no remuneration will be distributed to directors.

## **Report Items:**

### Report 4

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

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

2. The contents of amended provisions to the “Parliamentary Rules for Directors' Meetings” are shown in the next page.

**Asia Polymer Corporation**  
**The Amendment to the Parliamentary Rules for**  
**Directors' Meetings**

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

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

### Report 5

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

Description 1. Governance, environmental, and social topics relating to the Company are selected in conformity with GRI G4 Sustainability Reporting Guidelines (GRI G4) and with reference to topics concerning the sustainable development policy, performance indicators, and topics that concern stakeholders.

2. The draft has been completed so far, and the Chinese version will be published by the end of June.

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

### Proposal 1

Proposed by the Board

To ratify 2017 Business Report and Financial Statements.

Description: 1. The 2017 financial statements (including individual and consolidated financial statements) approved by the Board on March 12, 2017 are audited by CPA Hsiu-chun Huang and CPA Jimmy S. Wu of Deloitte Taiwan and the Audit Committee for the record.

2. Please refer to p. 5-6 of this Handbook for the 2017 Business Report and p. 16-35 for the CPA Audit Report and the financial statements.

Resolution:

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Asia Polymer Corporation

### **Opinion**

We have audited the accompanying financial statements of Asia Polymer Corporation (the "Company"), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters related to the Company's financial statements for the year ended December 31, 2017 are stated as follows:

#### **Revenue Recognition**

The increase in sales revenue of the Company in 2017 was due to sales of products with new specifications produced by a new production line, which accounted for approximately 29% of net operating revenue. In addition, the new products were sold mainly to new customers and the Company's parent company. Therefore, revenue recognition has been identified as a key audit matter.



The audit procedures performed in response to the risk were as follows:

1. We obtained an understanding of the design and implementation of the new product's internal controls and tested if these controls were performed effectively. Such controls include credit assessments of customers, revenue recognition and receivables collection.
2. We sampled and inspected new product purchase orders from customers, shipping confirmations and receivables collection receipts in order to verify the accuracy of sales revenue.
3. We reviewed sales returns and discounts recognized and the amounts received in subsequent periods to assess for any abnormalities.

#### Valuation of Inventory

As of December 31, 2017, the carrying amount of inventory was NT\$745,434 thousand (i.e. the gross amount of inventory of NT\$756,115 thousand with a deduction for the allowance for inventory valuation and obsolescence losses of NT\$10,681 thousand). Refer to Note 11 to the Company's financial statements for details.

Inventories of the Company are stated on the lower of cost or net realizable value. The net realizable value is subject to price fluctuations of ethylene. With volatile oil prices worldwide, such valuation of inventory requires significant judgment from management; therefore, the valuation of inventory has been identified as a key audit matter.

The audit procedures performed in response to the risk were as follows:

1. We obtained an understanding of the reasonableness of the Company's policy and methods for the allowance for losses on obsolete inventory.
2. We obtained the evaluation documents of the allowance for losses on obsolete inventory from management. We sampled and inspected the latest inventory quotations or sales invoices to verify basis of the evaluation and whether it is appropriate.
3. By performing a year-end inventory observation, we understood the inventory status and evaluated the reasonableness of the allowance for losses on obsolete inventory.

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditor's 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 audits' report are Hsiu-Chun Huang and Shih-Tsung Wu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 12, 2018

Notice to Readers

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

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

# ASIA POLYMER CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,815,129	12	\$ 2,545,667	18
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,379,447	9	1,490,012	10
Available-for-sale financial assets - current (Notes 4 and 8)	85,936	1	40,569	-
Notes receivable (Notes 4, 5 and 10)	1,627	-	1,789	-
Accounts receivable from unrelated parties (Notes 4, 5 and 10)	489,782	3	727,801	5
Accounts receivable from related parties (Notes 4, 5, 10 and 28)	143,594	1	195,813	1
Other receivables (Note 4)	1,176	-	944	-
Other receivables from related parties (Notes 4 and 28)	6,296	-	58,733	-
Inventories (Notes 4, 5 and 11)	745,434	5	662,327	5
Prepayments	122,043	1	162,313	1
Other current assets	110	-	110	-
Total current assets	<u>4,790,574</u>	<u>32</u>	<u>5,886,078</u>	<u>40</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets - non-current (Notes 4 and 8)	2,403,409	16	2,363,564	16
Financial assets measured at cost - non-current (Notes 4 and 9)	193,775	1	214,769	2
Investments accounted for using the equity method (Notes 4, 12 and 29)	3,309,037	22	1,866,647	13
Property, plant and equipment (Notes 4 and 13)	3,630,715	25	3,795,283	26
Investment properties (Notes 4 and 14)	433,504	3	434,234	3
Other intangible assets (Notes 4 and 15)	318	-	1,272	-
Deferred tax assets (Notes 4 and 23)	56,574	1	53,997	-
Other non-current assets (Note 25)	2,168	-	2,227	-
Total non-current assets	<u>10,029,500</u>	<u>68</u>	<u>8,731,993</u>	<u>60</u>
<b>TOTAL</b>	<u>\$ 14,820,074</u>	<u>100</u>	<u>\$ 14,618,071</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 16)	\$ 500,000	4	\$ 950,000	6
Short-term bills payable (Note 16)	699,834	5	699,791	5
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	666	-	1,732	-
Accounts payable to unrelated parties (Note 17)	108,284	1	241,803	2
Accounts payable to related parties (Notes 17 and 28)	29,568	-	34,574	-
Other payables to unrelated parties (Note 18)	150,882	1	266,552	2
Other payables to related parties (Note 28)	302,627	2	118,296	1
Current tax liabilities (Notes 4 and 23)	40,690	-	48,424	-
Provisions - current (Notes 4 and 19)	5,899	-	5,899	-
Current portion of long-term borrowings (Note 16)	450,000	3	-	-
Other current liabilities	6,332	-	14,717	-
Total current liabilities	<u>2,294,782</u>	<u>16</u>	<u>2,381,788</u>	<u>16</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 16)	2,450,000	17	2,450,000	17
Deferred tax liabilities (Notes 4 and 23)	39,902	-	43,240	-
Net defined benefit liabilities - non-current (Notes 4, 5 and 20)	212,209	1	239,127	2
Other non-current liabilities (Note 25)	6,711	-	6,711	-
Total non-current liabilities	<u>2,708,822</u>	<u>18</u>	<u>2,739,078</u>	<u>19</u>
Total liabilities	<u>5,003,604</u>	<u>34</u>	<u>5,120,866</u>	<u>35</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 21 and 23)</b>				
Share capital				
Ordinary shares	5,181,147	35	5,030,240	35
Capital surplus	16,434	-	14,046	-
Retained earnings				
Legal reserve	1,627,934	11	1,561,352	10
Special reserve	565,379	4	565,379	4
Unappropriated earnings	2,061,039	14	2,026,291	14
Total retained earnings	<u>4,254,352</u>	<u>29</u>	<u>4,153,022</u>	<u>28</u>
Other equity	364,537	2	299,897	2
Total equity	<u>9,816,470</u>	<u>66</u>	<u>9,497,205</u>	<u>65</u>
<b>TOTAL</b>	<u>\$ 14,820,074</u>	<u>100</u>	<u>\$ 14,618,071</u>	<u>100</u>

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

# ASIA POLYMER CORPORATION

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

	2017		2016	
	Amount	%	Amount	%
NET REVENUE (Notes 4, 5 and 28)	\$ 6,241,496	100	\$ 5,749,060	100
OPERATING COSTS (Notes 4, 11, 20, 22 and 28)	<u>5,556,727</u>	<u>89</u>	<u>4,982,646</u>	<u>87</u>
GROSS PROFIT	<u>684,769</u>	<u>11</u>	<u>766,414</u>	<u>13</u>
OPERATING EXPENSES (Notes 20, 22 and 28)				
Selling and marketing expenses	105,253	2	95,273	1
General and administrative expenses	106,318	2	99,835	2
Research and development expenses	<u>6,226</u>	<u>-</u>	<u>6,583</u>	<u>-</u>
Total operating expenses	<u>217,797</u>	<u>4</u>	<u>201,691</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>466,972</u>	<u>7</u>	<u>564,723</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 12, 22 and 28)				
Other income	163,928	3	151,424	3
Other losses	(50,793)	(1)	(11,392)	-
Interest expense	(41,762)	(1)	(21,895)	(1)
Share of profit or loss of associates	<u>114,334</u>	<u>2</u>	<u>107,404</u>	<u>2</u>
Total non-operating income and expenses	<u>185,707</u>	<u>3</u>	<u>225,541</u>	<u>4</u>
PROFIT BEFORE INCOME TAX	652,679	10	790,264	14
INCOME TAX EXPENSE (Notes 4 and 23)	<u>87,325</u>	<u>1</u>	<u>119,325</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>565,354</u>	<u>9</u>	<u>670,939</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 20, 21 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(12,161)	-	(24,935)	(1)
Share of the other comprehensive loss of associates accounted for using the equity method	(1,209)	-	(8,110)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>2,067</u>	<u>-</u>	<u>4,239</u>	<u>-</u>
	<u>(11,303)</u>	<u>-</u>	<u>(28,806)</u>	<u>(1)</u>

(Continued)

# ASIA POLYMER CORPORATION

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

	2017		2016	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (44,287)	(1)	\$ (36,266)	(1)
Unrealized gain on available-for-sale financial assets	99,107	2	489,480	9
Share of the other comprehensive income (loss) of associates accounted for using the equity method	3,438	-	(6,290)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>6,382</u>	<u>-</u>	<u>4,891</u>	<u>-</u>
	<u>64,640</u>	<u>1</u>	<u>451,815</u>	<u>8</u>
Other comprehensive income for the year, net of income tax	<u>53,337</u>	<u>1</u>	<u>423,009</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 618,691</u>	<u>10</u>	<u>\$ 1,093,948</u>	<u>19</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 565,354	9	\$ 665,825	12
Former owners of business contribution under common control	<u>-</u>	<u>-</u>	<u>5,114</u>	<u>-</u>
	<u>\$ 565,354</u>	<u>9</u>	<u>\$ 670,939</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 618,691	10	\$ 1,097,395	19
Former owners of business contribution under common control	<u>-</u>	<u>-</u>	<u>(3,447)</u>	<u>-</u>
	<u>\$ 618,691</u>	<u>10</u>	<u>\$ 1,093,948</u>	<u>19</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 1.09</u>		<u>\$ 1.29</u>	
Diluted	<u>\$ 1.09</u>		<u>\$ 1.28</u>	

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

(Concluded)

# ASIA POLYMER CORPORATION

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

	Equity Attributable to Owners of the Company (Notes 21 and 24)									Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Other Equity		Former Owners of Business Contribution Under Common Control (Note 12)	
	Shares (In Thousands)	Ordinary Shares		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets		
BALANCE AT JANUARY 1, 2016	493,160	\$ 4,931,607	\$ 14,046	\$ 1,508,197	\$ 565,379	\$ 1,836,956	\$ 34,477	\$ (194,956)	\$ 140,429	\$ 8,836,135
Appropriation of the 2015 earnings										
Legal reserve	-	-	-	53,155	-	(53,155)	-	-	-	-
Cash dividends distributed	-	-	-	-	-	(295,896)	-	-	(41,786)	(337,682)
Share dividends distributed	9,863	98,633	-	-	-	(98,633)	-	-	-	-
Net profit for the year ended December 31, 2016	-	-	-	-	-	665,825	-	-	5,114	670,939
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(28,806)	(40,133)	500,509	(8,561)	423,009
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	637,019	(40,133)	500,509	(3,447)	1,093,948
Former owners of business contribution under common control	-	-	-	-	-	-	-	-	(95,196)	(95,196)
BALANCE, DECEMBER 31, 2016	503,023	5,030,240	14,046	1,561,352	565,379	2,026,291	(5,656)	305,553	-	9,497,205
Appropriation of the 2016 earnings										
Legal reserve	-	-	-	66,582	-	(66,582)	-	-	-	-
Cash dividends distributed	-	-	-	-	-	(301,814)	-	-	-	(301,814)
Share dividends distributed	15,091	150,907	-	-	-	(150,907)	-	-	-	-
Reclassification of past dividends to capital surplus	-	-	2,063	-	-	-	-	-	-	2,063
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	325	-	-	-	-	-	-	325
Net profit for the year ended December 31, 2017	-	-	-	-	-	565,354	-	-	-	565,354
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(11,303)	(51,095)	115,735	-	53,337
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	554,051	(51,095)	115,735	-	618,691
BALANCE, DECEMBER 31, 2017	<u>518,114</u>	<u>\$ 5,181,147</u>	<u>\$ 16,434</u>	<u>\$ 1,627,934</u>	<u>\$ 565,379</u>	<u>\$ 2,061,039</u>	<u>\$ (56,751)</u>	<u>\$ 421,288</u>	<u>\$ -</u>	<u>\$ 9,816,470</u>

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

# ASIA POLYMER CORPORATION

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

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 652,679	\$ 790,264
Adjustments for:		
Depreciation expenses	287,148	177,737
Amortization expenses	954	1,785
Net loss on fair value change of financial assets held for trading	23,328	3,622
Interest expense	41,762	21,895
Interest income	(13,821)	(11,329)
Dividend income	(96,308)	(88,701)
Share of profit of associates	(114,334)	(107,404)
(Gain) loss on disposal of property, plant and equipment	(186)	34
Loss on disposal of investment properties	497	-
Net (gain) loss on disposal of available-for-sale financial assets	(7,739)	912
(Reversal of) write-down of inventories	10,330	(6,622)
Net loss (gain) on foreign currency exchange	1,053	(8,820)
Changes in operating assets and liabilities		
Financial assets held for trading	86,171	(1,029,124)
Notes receivable	160	(1,057)
Accounts receivable from unrelated parties	235,565	(502,245)
Accounts receivable from related parties	51,741	45,298
Other receivables from unrelated parties	-	177
Other receivables from related parties	52,437	(21,433)
Inventories	(93,437)	131,502
Prepayments	40,270	(74,153)
Accounts payable from unrelated parties	(133,413)	(38,278)
Accounts payable from related parties	(4,780)	23,472
Other payables from unrelated parties	(113,878)	104,334
Other payables from related parties	185,857	48,573
Other current liabilities	(8,385)	5,252
Net defined benefit liabilities	(39,080)	(85,684)
Cash generated from (used in) operations	1,044,591	(619,993)
Interest received	13,632	10,404
Interest paid	(41,517)	(20,884)
Income tax paid	(92,525)	(97,695)
Net cash generated from (used in) operating activities	<u>924,181</u>	<u>(728,168)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of available-for-sale financial assets	-	(1,993)
Proceeds from sale of available-for-sale financial assets	21,634	2,216
Capital reduction of financial assets measured at cost	20,994	3,977
Capital reduction of investments accounted for using the equity method	-	6,661
Acquisition of associates	(1,437,647)	-
Payments for property, plant and equipment	(122,371)	(333,069)

(Continued)



# ASIA POLYMER CORPORATION

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

	2017	2016
Proceeds from disposal of property, plant and equipment	\$ 210	\$ 12
Decrease (increase) in refundable deposits	59	(59)
Dividends received	<u>164,167</u>	<u>128,825</u>
Net cash used in investing activities	<u>(1,352,954)</u>	<u>(193,430)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (repayments of) short-term borrowings	(450,000)	740,000
Proceeds from short-term bills payable	-	449,836
Proceeds from long-term borrowings	7,150,000	4,450,000
Repayments of long-term borrowings	(6,700,000)	(2,000,000)
Decrease in other non-current liabilities	-	(49)
Dividends paid to owners of the Company	<u>(301,765)</u>	<u>(295,896)</u>
Net cash generated from (used in) financing activities	<u>(301,765)</u>	<u>3,343,891</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(730,538)	2,422,293
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,545,667</u>	<u>123,374</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,815,129</u>	<u>\$ 2,545,667</u>

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

(Concluded)

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Asia Polymer Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of Asia Polymer Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December, 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters related to the Group's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

#### Revenue Recognition

The increase in sales revenue of the Group in 2017 was due to sales of products with new specifications produced by a new production line, which accounted for approximately 28% of net operating revenue. In addition, the new products were sold mainly to new customers and the Group's parent company. Therefore, revenue recognition has been identified as a key audit matter.

The audit procedures performed in response to the risk were as follows:

1. We obtained an understanding of the design and implementation of the new product's internal controls and tested if these controls were performed effectively. Such controls include credit assessments of customers, revenue recognition and receivables collection.
2. We sampled and inspected new product purchase orders from customers, shipping confirmations and receivables collection receipts in order to verify the accuracy of sales revenue.
3. We reviewed sales returns and discounts recognized and the amounts received in subsequent periods to assess for any abnormalities.

#### Valuation of Inventory

As of December 31, 2017, the carrying amount of inventory was NT\$761,705 thousand (i.e. the gross amount of inventory of NT\$772,398 thousand with a deduction for the allowance for inventory valuation and obsolescence losses of NT\$10,693 thousand). Refer to Note 11 to the Group's consolidated financial statements for details.

Inventories of the Group are stated on the lower of cost or net realizable value. The net realizable value is subject to price fluctuations of ethylene. With volatile oil prices worldwide, such valuation of inventory requires significant judgment from management; therefore, the valuation of inventory has been identified as a key audit matter.

The audit procedures performed in response to the risk were as follows:

1. We obtained an understanding of the reasonableness of the Group's policy and methods for the allowance for losses on obsolete inventory.
2. We obtained the evaluation documents of the allowance for losses on obsolete inventory from management. We sampled and inspected the latest inventory quotations or sales invoices to verify basis of the evaluation and whether it is appropriate.
3. By performing a year-end inventory observation, we understood the inventory status and evaluated the reasonableness of the allowance for losses on obsolete inventory.

#### **Other Matter**

We have also audited the parent company only financial statements of Asia Polymer Corporation as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

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

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

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

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

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

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

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

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We 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 statements that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 12, 2018

#### Notice to Readers

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

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

# ASIA POLYMER CORPORATION AND SUBSIDIARIES

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

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,112,375	14	\$ 2,812,999	19
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,440,940	10	1,548,462	11
Available-for-sale financial assets - current (Notes 4 and 8)	85,936	1	40,569	-
Notes receivable (Notes 4, 5 and 10)	1,627	-	1,789	-
Accounts receivable from unrelated parties (Notes 4, 5 and 10)	489,782	3	727,801	5
Accounts receivable from related parties (Notes 4, 5, 10 and 29)	112,935	1	190,532	1
Other receivables (Note 4)	1,583	-	2,345	-
Other receivables from related parties (Notes 4 and 29)	6,529	-	59,070	-
Inventories (Notes 4, 5 and 11)	761,705	5	673,642	5
Prepayments	122,914	1	163,093	1
Other current assets	110	-	110	-
Total current assets	<u>5,136,436</u>	<u>35</u>	<u>6,220,412</u>	<u>42</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets - non-current (Notes 4 and 8)	2,436,185	16	2,392,067	16
Financial assets measured at cost - non-current (Notes 4 and 9)	248,801	2	282,866	2
Investments accounted for using the equity method (Notes 4, 13 and 30)	2,848,526	19	1,395,172	10
Property, plant and equipment (Notes 4, 14 and 29)	3,630,950	24	3,795,553	26
Investment properties (Notes 4 and 15)	516,026	4	526,445	4
Other intangible assets (Notes 4 and 16)	318	-	1,272	-
Deferred tax assets (Notes 4 and 24)	56,574	-	53,997	-
Other non-current assets (Note 26)	2,185	-	2,245	-
Total non-current assets	<u>9,739,565</u>	<u>65</u>	<u>8,449,617</u>	<u>58</u>
<b>TOTAL</b>	<u>\$ 14,876,001</u>	<u>100</u>	<u>\$ 14,670,029</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 17)	\$ 500,000	3	\$ 950,000	6
Short-term bills payable (Note 17)	699,834	5	699,791	5
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	666	-	1,732	-
Accounts payable to unrelated parties (Note 18)	109,809	1	242,765	2
Accounts payable to related parties (Notes 18 and 29)	67,724	1	71,847	-
Other payables to unrelated parties (Note 19)	151,492	1	271,475	2
Other payables to related parties (Note 29)	302,533	2	118,301	1
Current tax liabilities (Notes 4 and 24)	41,078	-	48,520	-
Provisions - current (Notes 4 and 20)	5,899	-	5,899	-
Current portion of long-term borrowings (Note 17)	450,000	3	-	-
Other current liabilities	9,528	-	15,633	-
Total current liabilities	<u>2,338,563</u>	<u>16</u>	<u>2,425,963</u>	<u>16</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 17)	2,450,000	17	2,450,000	17
Deferred tax liabilities (Notes 4 and 24)	39,968	-	43,307	-
Net defined benefit liabilities - non-current (Notes 4, 5 and 21)	212,209	1	239,127	2
Credit balance of investments accounted for using the equity method (Notes 4, 13 and 30)	9,397	-	6,171	-
Other non-current liabilities (Note 26)	9,394	-	8,256	-
Total non-current liabilities	<u>2,720,968</u>	<u>18</u>	<u>2,746,861</u>	<u>19</u>
Total liabilities	<u>5,059,531</u>	<u>34</u>	<u>5,172,824</u>	<u>35</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 22 and 24)</b>				
Share capital				
Ordinary shares	5,181,147	35	5,030,240	34
Capital surplus	16,434	-	14,046	-
Retained earnings				
Legal reserve	1,627,934	11	1,561,352	11
Special reserve	565,379	4	565,379	4
Unappropriated earnings	2,061,039	14	2,026,291	14
Total retained earnings	4,254,352	29	4,153,022	29
Other equity	364,537	2	299,897	2
Total equity	<u>9,816,470</u>	<u>66</u>	<u>9,497,205</u>	<u>65</u>
<b>TOTAL</b>	<u>\$ 14,876,001</u>	<u>100</u>	<u>\$ 14,670,029</u>	<u>100</u>

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

## ASIA POLYMER CORPORATION AND SUBSIDIARIES

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

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

	2017		2016	
	Amount	%	Amount	%
NET REVENUE (Notes 4, 5 and 29)	\$ 6,404,467	100	\$ 5,893,335	100
OPERATING COSTS (Notes 4, 11, 21, 23 and 29)	<u>5,707,391</u>	<u>89</u>	<u>5,113,476</u>	<u>87</u>
GROSS PROFIT	<u>697,076</u>	<u>11</u>	<u>779,859</u>	<u>13</u>
OPERATING EXPENSES (Notes 21, 23 and 29)				
Selling and marketing expenses	107,656	2	97,665	1
General and administrative expenses	112,304	2	107,942	2
Research and development expenses	<u>6,226</u>	<u>-</u>	<u>6,583</u>	<u>-</u>
Total operating expenses	<u>226,186</u>	<u>4</u>	<u>212,190</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>470,890</u>	<u>7</u>	<u>567,669</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 13, 23 and 29)				
Other income	175,766	3	175,988	3
Other losses	(52,508)	(1)	(26,511)	(1)
Interest expense	(41,762)	(1)	(21,895)	-
Share of profit or loss of associates	<u>103,367</u>	<u>2</u>	<u>97,677</u>	<u>2</u>
Total non-operating income and expenses	<u>184,863</u>	<u>3</u>	<u>225,259</u>	<u>4</u>
PROFIT BEFORE INCOME TAX	655,753	10	792,928	14
INCOME TAX EXPENSE (Notes 4 and 24)	<u>90,399</u>	<u>1</u>	<u>121,989</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>565,354</u>	<u>9</u>	<u>670,939</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 21, 22 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(12,181)	-	(24,962)	(1)
Share of the other comprehensive loss of associates accounted for using the equity method	(1,189)	-	(8,083)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>2,067</u>	<u>-</u>	<u>4,239</u>	<u>-</u>
	<u>(11,303)</u>	<u>-</u>	<u>(28,806)</u>	<u>(1)</u>

(Continued)

## ASIA POLYMER CORPORATION AND SUBSIDIARIES

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

	2017		2016	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (44,287)	(1)	\$ (36,266)	-
Unrealized gain on available-for-sale financial assets	104,324	2	489,493	8
Share of the other comprehensive loss of associates accounted for using the equity method	(1,779)	-	(6,303)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>6,382</u>	<u>-</u>	<u>4,891</u>	<u>-</u>
	<u>64,640</u>	<u>1</u>	<u>451,815</u>	<u>8</u>
Other comprehensive income for the year, net of income tax	<u>53,337</u>	<u>1</u>	<u>423,009</u>	<u>7</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 618,691</u>	<u>10</u>	<u>\$ 1,093,948</u>	<u>19</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 565,354	9	\$ 665,825	11
Former owners of business contribution under common control	<u>-</u>	<u>-</u>	<u>5,114</u>	<u>-</u>
	<u>\$ 565,354</u>	<u>9</u>	<u>\$ 670,939</u>	<u>11</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 618,691	10	\$ 1,097,395	19
Former owners of business contribution under common control	<u>-</u>	<u>-</u>	<u>(3,447)</u>	<u>-</u>
	<u>\$ 618,691</u>	<u>10</u>	<u>\$ 1,093,948</u>	<u>19</u>
<b>EARNINGS PER SHARE (Note 25)</b>				
Basic	<u>\$ 1.09</u>		<u>\$ 1.29</u>	
Diluted	<u>\$ 1.09</u>		<u>\$ 1.28</u>	

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

(Concluded)



## ASIA POLYMER CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company (Notes 22 and 24)						Other Equity		Former Owners of Business Contribution under Common Control (Note 12)	Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets		
	Shares (In Thousands)	Ordinary Shares		Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2016	493,160	\$ 4,931,607	\$ 14,046	\$ 1,508,197	\$ 565,379	\$ 1,836,956	\$ 34,477	\$ (194,956)	\$ 140,429	\$ 8,836,135
Appropriation of 2015 earnings										
Legal reserve	-	-	-	53,155	-	(53,155)	-	-	-	-
Cash dividends distributed	-	-	-	-	-	(295,896)	-	-	(41,786)	(337,682)
Share dividends distributed	9,863	98,633	-	-	-	(98,633)	-	-	-	-
Net profit for the year ended December 31, 2016	-	-	-	-	-	665,825	-	-	5,114	670,939
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(28,806)	(40,133)	500,509	(8,561)	423,009
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	637,019	(40,133)	500,509	(3,447)	1,093,948
Former owners of business contribution under common control	-	-	-	-	-	-	-	-	(95,196)	(95,196)
BALANCE, DECEMBER 31, 2016	503,023	5,030,240	14,046	1,561,352	565,379	2,026,291	(5,656)	305,553	-	9,497,205
Appropriation of the 2016 earnings										
Legal reserve	-	-	-	66,582	-	(66,582)	-	-	-	-
Cash dividends distributed	-	-	-	-	-	(301,814)	-	-	-	(301,814)
Share dividends distributed	15,091	150,907	-	-	-	(150,907)	-	-	-	-
Reclassification of past dividends to capital surplus	-	-	2,063	-	-	-	-	-	-	2,063
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	325	-	-	-	-	-	-	325
Net profit for the year ended December 31, 2017	-	-	-	-	-	565,354	-	-	-	565,354
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(11,303)	(51,095)	115,735	-	53,337
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	554,051	(51,095)	115,735	-	618,691
BALANCE, DECEMBER 31, 2017	518,114	\$ 5,181,147	\$ 16,434	\$ 1,627,934	\$ 565,379	\$ 2,061,039	\$ (56,751)	\$ 421,288	\$ -	\$ 9,816,470

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

# ASIA POLYMER CORPORATION AND SUBSIDIARIES

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

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 655,753	\$ 792,928
Adjustments for:		
Depreciation expenses	289,808	180,969
Amortization expenses	954	1,785
Net gain on fair value change of financial assets held for trading	(605)	(700)
Interest expense	41,762	21,895
Interest income	(16,426)	(14,389)
Dividend income	(96,329)	(88,723)
Share of profit of associates	(103,367)	(97,677)
(Gain) loss on disposal of property, plant and equipment	(186)	34
Loss on disposal of investment properties	497	-
Net (gain) loss on disposal of available-for-sale financial assets	(7,739)	11,262
Impairment loss on financial assets	7,906	-
(Reversal of) write-down of inventories	10,330	(6,731)
Net loss (gain) on foreign currency exchange	1,053	(8,821)
Changes in operating assets and liabilities		
Financial assets held for trading	107,061	(1,030,620)
Notes receivable	160	(1,057)
Accounts receivable from unrelated parties	235,565	(502,245)
Accounts receivable from related parties	77,119	50,579
Other receivables from unrelated parties	1,327	2,300
Other receivables from related parties	52,541	(5,254)
Inventories	(98,393)	127,320
Prepayments	40,179	(74,918)
Accounts payable from unrelated parties	(132,850)	(37,601)
Accounts payable from related parties	(3,897)	36,330
Other payables from unrelated parties	(118,191)	99,914
Increase in other payables from related parties	185,758	34,716
Other current liabilities	(6,105)	6,168
Net defined benefit liabilities	(39,080)	(85,684)
Cash generated from (used in) operations	1,084,605	(588,220)
Interest received	15,921	12,253
Interest paid	(41,517)	(20,884)
Income tax paid	(95,325)	(100,569)
Net cash generated from (used in) operating activities	<u>963,684</u>	<u>(697,420)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash outflow on acquisition of subsidiaries	-	(95,196)
Purchases of available-for-sale financial assets	-	(11,812)
Proceeds from sale of available-for-sale financial assets	21,634	13,165
Capital reduction of financial assets measured at cost	20,994	17,886
Acquisition of associates	(1,437,647)	-

(Continued)

## ASIA POLYMER CORPORATION AND SUBSIDIARIES

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

	2017	2016
Capital reduction of investments accounted for using the equity method	\$ -	\$ 6,661
Payments for property, plant and equipment	(122,371)	(333,069)
Proceeds from disposal of property, plant and equipment	210	12
Decrease (increase) in refundable deposits	60	(77)
Dividends received	<u>164,188</u>	<u>128,847</u>
Net cash used in investing activities	<u>(1,352,932)</u>	<u>(273,583)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (repayments of) short-term borrowings	(450,000)	740,000
Proceeds from short-term bills payable	-	449,836
Proceeds from long-term borrowings	7,150,000	4,450,000
Repayments of long-term borrowings	(6,700,000)	(2,000,000)
(Increase) decrease in other non-current liabilities	1,138	(1,025)
Dividends paid to owners of the Company	(301,765)	(295,896)
Dividends paid to former owners of business contribution under common control	<u>-</u>	<u>(41,786)</u>
Net cash generated from (used in) financing activities	<u>(300,627)</u>	<u>3,301,129</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>(10,749)</u>	<u>(25,092)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(700,624)</b>	<b>2,305,034</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u><b>2,812,999</b></u>	<u><b>507,965</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><b>\$ 2,112,375</b></u>	<u><b>\$ 2,812,999</b></u>

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

(Concluded)

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

### Proposal 2

Proposed by the Board

#### Adoption of the Proposal for Distribution of Profits for 2017

Description: 1. In 2017, the net profit was NT\$565,354,065. After appropriating NT\$56,535,407 as the legal reserve, the distributable net profit of 2017 is NT\$508,818,658. At the end of 2017, the Accumulated distributable earnings is NT\$2,004,502,719 and will be distributed as follows:

- (1) Cash dividend: NT\$103,622,943, i.e. NT\$0.2 per share.
- (2) Stock dividend: NT\$362,680,300, i.e. NT\$ 0.7 per share, or 70 shares per 1,000 shares.

The unappropriated earnings after distribution will be NT\$1,538,199,476.

2. Please refer to p. 37, "Profit Distribution Table", for details.

3. According to this proposal, the profit of 2017 will first be distributed, and the insufficiency will be distributed from the profit of previous years.

4. The cash dividends allocated to each shareholder shall be calculated to NT\$ 1, and rounded off below, and the total amount of allocation will be subject to the actual amount allocated.
5. Please authorize the Chairperson to approve this proposal and determine the target date of distribution.

Resolution:

## Asia Polymer Corporation 2017 Profit Distribution Table

expressed in NTD

Net profit before tax of 2017	652,679,329
Less: Income tax	<u>(87,325,264)</u>
Net profit of 2017	565,354,065
Less: Legal reserve	<u>(56,535,407)</u>
Distributable net profit of 2017	508,818,658
Beginning appropriated earnings	1,506,986,360
Less: Retained earnings adjusted for investments made under the equity method	(11,302,299)
Accumulated distributable earnings at the end of 2017	<u><u>2,004,502,719</u></u>
Distributable items: (total issued shares: 518,114,715)	
Cash dividend: 0.2/share	103,622,943
Stock dividend: 0.7/share	362,680,300
Total of distributable items	<u><u>466,303,243</u></u>
Unappropriated earnings at the end of 2017 transferred to the next year	<u><u>1,538,199,476</u></u>

Chairperson: Quintin Wu    President: Kuo-hung Li    Chief Accounting Officer: Cheng-shun Chen

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

### Proposal 3

Proposed by the Board

To approve the capitalization on part of dividends.

Description: 1. To enrich operating capital, this proposal is made to have part of dividends NT\$362,680,330 to be issued 36,268,030 new shares, par value at NT\$10 per share, to increase capital NT\$362,680,330.

2. Currently the paid-in capital is NT\$5,181,147,150 divided into 518,114,715 shares. After issuing new shares to increase capital, the paid-in capital will be 5,543,827,450 divided into 554,382,745 shares.

3. The Board will set another target day for the issuance of stock dividend in this proposal. The dividend at 70 shares per 1,000 shares for the increased shares are determined based on the stake of shareholders registered in the List of Shareholders. Shareholders holding fractional shares after the increase may combine such shares together to meet the distribution requirements. The Chairperson will subscribe the uncombined fractional shares at the face value and distribute their dividends in cash.

4. The rights and obligations of the new shares will be the same as all issued shares.

5. Should the terms and conditions of this proposal be requested to alter by the competent authority, it is proposed that the Board of Directors be authorized to take all required actions.

Resolution:

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

### Proposal 4

Proposed by the Board

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

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

2. The amendment to the Procedures for Endorsement and Guarantee Standard are shown in the next page.

Resolution:



## Asia Polymer Corporation

### The Amendment to the “Procedures for Endorsement and Guarantee Standard”

Amended article	Current article	Description
<p>Article 4:Limit of endorsement/guarantee:</p> <p><u>The aggregate amount of Endorsements and Guarantees made by the Company and the authorized limit on Endorsements and Guarantees made by the Company to any single entity both shall not exceed 60% of the Company’s net worth as stated in the Company’s most recent financial statements.</u></p> <p>The aggregate amount of Endorsements and Guarantees made by the Company and its subsidiaries and the authorized limit on Endorsements and Guarantees made by the Company and its subsidiaries to any single entity both shall not exceed 60% of the Company’s net worth as stated in the Company’s most recent financial statements.</p> <p>An explanation of the necessity and reasonableness thereof shall be given at the shareholders meeting.</p> <p>(Others has been omitted)</p>	<p>Article 4:Limit of endorsement/guarantee:</p> <p>The aggregate amount of Endorsements and Guarantees made by the Company and its subsidiaries and the authorized limit on Endorsements and Guarantees made by the Company and its subsidiaries to any single entity both shall not exceed 60% of the Company’s net worth as stated in the Company’s most recent financial statements. An explanation of the necessity and reasonableness thereof shall be given at the shareholders meeting. (Others has been omitted)</p>	<p>Amendments made in accordance with the amendment to Subparagraph 3, Paragraph 1, Article 12 of the R Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.</p>

## Matters for Ratification and Discussion:

### Proposal 5

Proposed by the Board

To approve the permission of director for competitive actions.

Description: 1. Referring to Article 209 of the Company Act, “A director, who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.”

2. Directors of the Company engage in business within the scope of business of the Company are tabulated below. Without harming the interest of the Company, it is proposed to allow their act in accordance with the Company Act.

Name of Directors	Concurrent Employers	Title
Independent Director Frank Chen	Xiu Zhi Co., Ltd.	Chairperson
Independent Director Shang-hung Shen	Bootsolar Photovoltaic Equipment Co., Ltd., Collaboration Energy Technology Corporation	Chairperson
Han-tai Liu (Representative of Union Polymer International Investment Corporation)	INOMA Corporation	Director

Resolution:

### **III. Extemporany Motions**

### **IV. Meeting Ajournment**

# Appendix 1

## Parliamentary Rules for Shareholders' Meetings of Asia Polymer Corporation

May 3, 1991

Passed by General  
Shareholders' Meeting

June 8, 2016

7th Amendments hereto

1. Unless otherwise provided in laws, the Company's shareholders' meetings shall be held in accordance with the Rules.
2. The Company shall prepare an attendance book for shareholders to sign in, or the shareholder present may hand in a sign-in card in lieu of signing on the attendance book. The number of shares in attendance shall be calculated in accordance with those indicated on the sign-in cards, plus the number of shares representing the voting rights exercised in an electronic form. Notwithstanding, the number of shares represented by the shareholders who exercise their voting right in an electronic form and attend the meeting in person shall not be counted repeatedly.  
In case a shareholder elects to exercise his/her/its voting power in an electronic form, his/her/its declaration of intention shall be served to the Company two (2) days prior to the shareholders' meeting. Whereas if two (2) or more declarations of the intention are served to the Company, the first declaration received shall prevail, unless an explicit statement to revoke the previous declaration is made in the declaration which comes later. In case a shareholder who has exercised his/her/its voting power in an electronic form intends to attend the shareholders' meeting in person, he/she/it shall, two (2) days prior to the shareholders' meeting and in the same manner previously used in exercising his/her/its voting power, serve a separate declaration to rescind his/her/its previous declaration. In the absence of a timely rescission, the voting right exercised in an electronic form shall prevail.
3. The presence of shareholders in a shareholders' meeting and their voting thereof shall be calculated in accordance with the number of shares.
4. The place for convening the Company's shareholders' meeting shall be the premises of the Company, or any other place convenient for presence of shareholders, and suitable for holding of said meeting. The meeting shall commence no earlier than 9:00AM and no later than 3:00PM on the same day.
5. Where the shareholders' meeting is convened by the Board of Directors, the Chairman of Board shall act as the meeting chairperson. When the Chairman of the Board is on leave or for any reason is unable to exercise the powers of the chairperson, he/she shall appoint one director to act on behalf of him/her. If the Chairman does not make such a designation, the proxy shall be elected by directors from among themselves.  
If a shareholders' meeting is convened by any other person than the Board of Directors, who has the right to convene the meeting, said person shall preside at that meeting.
6. The Company may designate its attorney-at-law, certified public accountant or other relevant persons to attend the shareholders' meeting.  
Those handling the business of a shareholders' meeting shall wear an identification card or a armband.
7. The Company shall record with an audio or video tape the whole proceedings of the shareholders' meeting, and said tape shall be kept for at least one (1) year.
8. When the meeting is attended by shareholders representing a majority of the issued shares, the chairperson shall immediately convene the meeting, provided, however, if the statutory quota is not met at the scheduled time for the meeting, the chairperson may postpone the meeting.

Provided, however, that the postponement of said meeting shall take place for no more than twice, and the total time postponed shall be no more than one (1) hour. If the meeting has been postponed for twice, but the attending shareholders represent one third or more of the total issued shares, a tentative resolution may be adopted in accordance with the Company Act by a majority of shareholders present at the meeting.

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

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

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

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

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

10. A shareholder wishing to speak in a shareholders meeting shall first fill out a Speaker's slip, specifying therein the major points of his speech, his shareholder account number and name, and the chairperson shall determine his order of giving a speech.

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

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

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

11. A shareholder shall not speak more than two (2) times for one motion, unless he has obtained the prior consent from the chairperson, and each speech shall not exceed five (5) minutes. If a shareholder violates the above provisions or his speech exceeds the scope of the motion, the chairperson may prevent him from doing so.

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

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

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

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

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

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

the monitoring personnel and kept by the Company in proper custody.

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

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

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

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

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

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

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

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

## Appendix 2

### Articles of Incorporation of ASIA POLYMER CORPORATION

#### Section 1. General Provisions

- Article 1: The Company is incorporated under the Company Act of the Republic of China and named “亞洲聚合股份有限公司” and “ASIA POLYMER CORPORATION” in English.
- Article 2: The scope of the Company’s business is specified as follows:
1. Manufacturing, Fabricating & Sales of Low Density Polyethylene Resins.
  2. Manufacturing, Fabricating & Sales of Medium Density Polyethylene Resins.
  3. Sales of High Density Polyethylene Resins.
  4. Sales of Linear Low Density Polyethylene Resins.
  5. Manufacturing, Fabricating & Sales of Ethylene Vinyl Acetate Copolymer Resins.
  6. Manufacturing & Sales of Degradable Plastic Resins.
  7. F113010 Wholesale of Machinery.
  8. ZZ99999 Other than business requiring special approval, any business not prohibited or restricted by laws or regulations.
- Article 2-1: The Company’s total investment may be exempted from the restriction for no more than 40% of the paid-in capital prescribed by Article 13 of the Company Act.
- Article 2-2: The Company may make endorsement/guarantee externally due to the Company’s business needs or investment needs. The endorsement/guarantee shall be signed by the Chairman on behalf of the Company and comply with the Company’s operating procedure for making endorsement/guarantee.
- Article 3: The Company’s head office is situated in Kaohsiung City, Taiwan, the R.O.C., and, when necessary, may set up branches, offices and factories considered by the Company as adequate for promoting its business.
- Article 4: Public announcements of the Company shall be made in accordance with Article 28 of the Company Act.

#### Section 2. Stocks

- Article 5: The total capital stock of the Company shall be in the amount of NT\$6,200,000,000, divided into 620,000,000 common shares, at a par value of NT\$10 per share, and may be issued in installments.
- Article 5-1: The Company’s share certificates shall be registered and affixed with the signatures or personal seals of three or more directors of the Company, be assigned with serial numbers, and be issued upon the certification made by competent authority or the institute recognized by competent authority.
- Article 5-2: For the shares to be issued to the public by the Company, the Company may be exempted from printing any share certificate for the shares issued.
- Article 6: The Company’s handling of its shareholders services shall comply with the “Regulations Governing the Administration of Shareholder Services of Public Companies” prescribed by the competent authority.

Article 6-1: (Deleted)

Article 6-2: The transfer of shares shall not be registered within 60 days prior to the convening date of a general shareholders' meeting, or within 30 days prior to the convening date of a special shareholders' meeting, or within five (5) days prior to the record date fixed by the Company for distribution of dividends, bonus or other benefits.

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

Article 7: (Deleted)

Article 8: Convening of a general shareholders' meeting shall be notified thirty (30) days ago. Convening of a special shareholders' meeting shall be notified fifteen (15) days ago.

Article 9: Resolutions at a shareholders' meeting shall, unless otherwise provided for in Company Act or other laws, be adopted by a majority of eligible votes of the shareholders present, who represent more than a majority of the total issued shares. According to the competent authority's requirements, the voting power at a shareholders' meeting of the Company may be exercised by way of electronic transmission if the Company adopt electronic voting system. A shareholder who exercises his/her/its voting power at a shareholders meeting by way of electronic transmission shall be deemed to have attended said shareholders' meeting in person. The related matters shall be implemented in accordance with laws.

Article 9-1: Where any shareholder fails to attend a shareholders' meeting, he/she/it may appoint a proxy, pursuant to the Company Act and "Regulations Governing the Use of Proxies for Attendance at Shareholders' Meeting of Public Companies", to attend a shareholders' meeting on his/her/its behalf by executing a power of attorney printed by the Company stating therein the scope of power authorized to the proxy.

Article 10: Unless no voting right or restricted voting right required under laws or the Articles, each of shares held by each shareholder shall have the right to one (1) vote.

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

Article 11: The Chairman of the Board of Directors shall be elected from among the directors pursuant to Article 208 of the Company Act. The chairman of the Board of Directors shall internally preside the shareholders' meeting and the directors' meeting, and shall externally represent the Company. The Company shall have 9~11 directors who shall be elected by the shareholders' meeting from among the persons with disposing capacity.  
The term of a Director is three years and may be eligible for re-election.  
The total shares of the Company's registered share certificates held by the whole directors shall be no less than the proportion prescribed by the Securities and Exchange Act.

Article 11-1: The directors referred to in the preceding Article shall include at least three (3) independent directors. A candidates nomination system shall be adopted by the Company for election of independent directors and non-independent directors, who shall be elected from the name list of candidates at a shareholders' meeting.  
The professional qualifications, shares held, restrictions on concurrent positions held, method of nomination and election, and other matters for compliance with respect to independent directors shall be governed by the competent securities authority's related regulations.

Article 11-2: The Company shall establish an Audit Committee pursuant to the Securities and Exchange Act,



which shall consist of all independent directors of the Company. The Audit Committee or the committee members shall be responsible for exercising a supervisor's power prescribed by the Company Act, Securities and Exchange Act, and other related laws.

Article 11-3: The Company's Board of Directors may establish other functional committees. The articles of association thereof shall be established by the Board of Directors.

Article 12: Directors' meetings shall be convened by the Chairman, except for the first meeting of each term of the Board of Directors which shall be convened by the director who received a ballot representing the largest number of votes at the election of directors. The convener shall notify each director of the agenda within seven (7) days prior to the meeting. However, in the case of emergency, the meeting may be convened at any time. A directors' meeting may be convened in writing or by electronic transmission or fax.

Article 13: Where any director fails to attend a director s' meeting, he/she may authorize another director in writing to attend the directors' meeting on behalf of him/her pursuant to laws, provided that a director may accept the appointment to act as the proxy of one other director only. The documentation of the appointment form a part of the meeting minutes and shall be well preserved by the Company.

Article 14: Resolutions at a directors' meeting shall, unless otherwise provided for in Company Act or other laws, be adopted by a majority of eligible votes of the directors at a meeting attended by a majority of the whole directors.

Article 15: The functions of the Board of Directors shall be implemented in accordance with the Company Act and other related laws.

Article 15-1: The amounts of remuneration to directors shall be determined by the shareholders' meeting based on the rate prevailing in fellow companies and the directors' participation in and contribution to the Company's operation, regardless of whether or not the Company operates of profit. If a director serves other position concurrently in the Company, he/she may be remunerated with salary according to general standard.

Article 15-2: The Board of Directors has set up a Secretariat of the Board dedicated to handling the affairs related to the Board of Directors.

## **Section 5. Managerial Personnel**

Article 16: Job title, appointment, discharge and remuneration of the Company's managerial personnel, if any, shall be decided by a majority of the directors present at a meeting attended by a majority of the whole directors. The Company's managerial personnel shall process the Company's routine affairs per the Chairman's instruction and resolution made by a directors' meeting.

Article 17: The Company's General Manger shall process the Company's routine affairs per the Chairman's instruction and resolution made by a directors' meeting.

Article 17-1: The Company may purchase liability insurance against the damages to be borne by directors and officers with respect to the scope of business carried out by them during their term of office.

## **Section 6. Final Accounts**

Article 18: If the Company retains earnings in the current year, it shall allocate the compensation to directors

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

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

If the Company has net profits after tax according to its annual financial account, the Company may, after making up all past losses, set aside a 10% legal reserve from the remainder, if any. The remaining allocable earnings, if any, plus the accumulated unappropriated earnings for prior years and the balance after provision or reversal of special earnings required by the competent authority, shall be accumulated allocable earnings, which shall be allocated according to the proposal drafted by the Board of Directors and resolution made by a general shareholders' meeting duly. The shareholders' meeting may retain the earnings, in whole or in part, subject to the overview of business.

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

Article 19: The Company's fiscal year shall commence from January 1 until December 31 of each year. The Board of Directors shall prepare the following reports at the end of each fiscal year and send them to the general shareholders' meeting for recognition:

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

## **Section 7. Bylaw**

Article 20: Any matters not covered herein shall be implemented in accordance with the Company Act and related laws of the R.O.C.

Article 21: The Articles of Incorporation was established on November 30, 1976. (following content omitted) 34<sup>th</sup> amendments hereto were made on June 8, 2016.

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

## Appendix 3

### Parliamentary Rules for Directors' Meetings of ASIA POLYMER CORPORATION

Amended on August 9, 2017

- Article 1: The Rules are established in accordance with Paragraph 8 of Article 26-3 of the Securities and Exchange Act, and the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.
- Article 2: Unless otherwise provided in related laws or the Articles of Incorporation, the main agenda items, operating procedures, required content of meeting minutes, public announcements, and other compliance requirements for directors' meetings of the Company shall be handled in accordance with the Rules.
- Article 3: The directors' meeting shall be convened at least once per quarter.  
The reasons for calling a board of directors meeting shall be notified to each director at least seven (7) days in advance. In emergency circumstances, however, a meeting may be called at any time.  
A directors' meeting may be convened in writing or by electronic transmission or fax.  
All matters set out in the subparagraphs of Paragraph 1 of Article 7 herein shall be specified in the notice of the reasons for calling a directors' meeting, unless in the case of an emergency or with justified reasons, none of them may be raised as an extraordinary motion.
- Article 4: A directors' meeting shall be held at the location and during the business hours of the Company, or at a place and time convenient to all directors and suitable for holding such a meeting.
- Article 5: The Company's Secretariat of the Board shall act as the agenda unit responsible for agenda affairs of the directors' meeting.  
The agenda unit shall prepare the contents of agenda for directors' meetings and provide comprehensive pre-meeting materials, to be sent together with the notice of the meeting.  
Where a director considers that the pre-meeting materials provided are insufficient, he/she may request the agenda unit to supplement the materials. Where a director considers that materials concerning any motion are insufficient in contents, deliberation of such motion may be postponed by a resolution of the Board of Directors.
- Article 6: Agenda of a regular directors' meeting shall at least include the following:  
I. Report:  
(I) Minutes of last meeting and actions arising.  
(II) Reporting on important financial and business matters.  
(III) Reporting on internal audit activities.  
(IV) Other important matters to be reported.  
II. Discussion:  
(I) Items discussed and continued from last meeting.  
(II) Motions to be discussed at this meeting.  
III. Extraordinary motions
- Article 7: The Company shall submit the following items for discussion by the Board of Directors:  
I. The Company's business plan  
II. Annual and semi-annual financial reports with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be audited and attested by a certified public accountant (CPA).  
III. Adoption or amendment of an internal control system pursuant to Article 14-1 of the

Securities and Exchange Act, and an assessment on effectiveness of the internal control system.

- IV. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposition of assets, derivatives trading, funding to others, and endorsements or guarantees for others.
- V. Offering, issuance, or private placement of any equity-type securities.
- VI. Appointment or discharge of a financial, accounting, or internal audit officer.
- VII. A donation to a stakeholder or a major donation to a non-stakeholder, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to next directors' meeting for retroactive recognition.
- VIII. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or Articles of Incorporation to be approved by resolution at a shareholders' meeting or directors' meeting, or any such significant matter as may be prescribed by the competent authority.

The term "stakeholder" referred to in Subparagraph 7 of the preceding paragraph means a stakeholder as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-stakeholder" means any individual donation, or cumulative donations within the preceding year to a single recipient at an amount of NT\$5 million or more.

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

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

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

Article 9: When a directors' meeting is held, an attendance book shall be made ready for signature by directors attending the meeting and thereafter made available for future reference. All directors shall attend the directors' meetings in person. If attendance in person is not possible, they may, pursuant to the Company's Articles of Incorporation, appoint another director to attend as their proxy. Attendance via a video conference is deemed as attendance in person. A director appointing another director to attend a directors' meeting in his or her place shall in each case give to that director a written proxy stating the scope of authorization with respect to the reasons for meeting. The proxy referred to in Paragraph 2 may accept a proxy from one person only.

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

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

- Article 11: When holding a directors' meeting, the Company may, subject to the contents of agenda, notify personnel of relevant departments or subsidiaries to attend the meeting as nonvoting participants. When necessary, the Company may also invite certificated public accounts, attorneys at law, or other professionals to attend as nonvoting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place.
- Article 12: When the time of a meeting has arrived and more than a majority of all board directors are present, the meeting chairperson may announce opening of the meeting immediately. If the quorum is still not met at the meeting time, the chairperson shall announce postponement of the meeting, and such postponement shall take place for no more than twice. If the quorum is still not met after postponement for twice, the chairperson shall re-call the meeting following the procedures provided in Paragraph 2 of Article 3 herein. The term "all board directors" as used in the preceding paragraph and in Paragraph 2.2 of Article 17 herein shall be counted as the number of directors then in office.
- Article 13: A directors' meeting shall be conducted in accordance with the order of business on the agenda as specified in the meeting notice. However, the order may be changed with the approval of a majority of directors present at the meeting. The meeting chairperson may not declare the meeting closed without the approval of a majority of directors present at the meeting. If at any time during the proceeding of a directors' meeting the directors sitting at the meeting fail to reach a majority of the directors present at the meeting; then upon motion by the directors sitting at the meeting, the chairperson shall declare a suspension of the meeting, in which case Paragraph 1 of the preceding Article shall apply mutandis.
- Article 14: When the chairperson at a directors' meeting is of the opinion that a matter has been sufficiently discussed to a degree of putting to a vote, the chairperson may announce the discussion closed and bring the matter to vote. When a motion comes to a vote at a directors' meeting, if the chairperson puts the matter before all directors present at the meeting and none voices an objection, the motion is deemed approved. In the case of an amendment or substitute to a motion, the chairperson shall decide on the order of voting by combining the amendment or substitute with the same motion. However, if one of the motions has been approved, the other shall be deemed over-ruled and no further votes are required. If a vote on a motion requires monitoring and counting personnel, the chairperson shall appoint such personnel, providing that all monitoring personnel shall be directors. Results of the votes shall be announced on the spot and recorded. "All directors present at the meeting" referred in Paragraph 2 exclude directors prohibited from exercising voting rights pursuant to Paragraph 1 of Article 16 herein.
- Article 15: Except as otherwise stated in the Securities and Exchange Act, Company Act or the Articles of Incorporation, a resolution on a matter at a directors' meeting requires the approval of a majority of the directors present at the meeting that shall be attended by a majority of all directors.
- Article 16: If any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. The provisions of Paragraph 2 of Article 180 of the Company Act, as applied mutatis mutandis

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

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

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

Any of the following matters in relation to a resolution passed at a meeting of the board of directors shall be stated in the meeting minutes and within two (2) days of the meeting be published on an information reporting website designated by the competent authority:

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

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

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

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

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

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

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

Article 19: The Rules shall be subject to approval by the Board of Directors and submitted to the latest

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

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

## Appendix 3

### AISA POLYMER CORPORATION

#### Operating Procedure for Making of Endorsements/Guarantees

Amended on June 8, 2016

- Article 1: Purpose  
The Company shall comply with the Procedure when making endorsements/guarantees for others. Any matters not covered herein shall be implemented in accordance with related laws and regulations.
- Article 2: Scope of applicability  
The term “endorsements/guarantees” as used herein refers to the following:
- I. Financing endorsements/guarantees:
    - (I) Bill discount financing.
    - (II) Endorsement or guarantee made to meet the financing needs of another company.
    - (III) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself.
  - II. Customs duty endorsement/guarantee: An endorsement or guarantee for the Company itself or another company with respect to customs duty matters.
  - III. Other endorsements/guarantees: Endorsements or guarantees beyond the scope of the above two subparagraphs.
- Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with the Procedure.
- Article 3: Subject of endorsement/guarantee:
- I. A company with which the Company does business.
  - II. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
  - III. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.
  - IV. the jointly invested company for which all capital contributing shareholders make endorsements/ guarantees in proportion to their shareholding percentages; capital contribution referred to herein shall mean capital contribution directly by the Company, or through a company in which the Company holds 100% of the voting shares.
  - V. Subsidiaries in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other.
- “Subsidiary” as referred to herein shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- Article 4: Limit of endorsement/guarantee:  
The aggregate amount of Endorsements and Guarantees made by the Company and its subsidiaries and the authorized limit on Endorsements and Guarantees made by the Company and its subsidiaries to any single entity both shall not exceed 60% of the Company’s net worth as stated in the Company’s most recent financial statements. An explanation of the necessity and reasonableness thereof shall be given at the shareholders meeting.  
The amount of Endorsements and Guarantees made among subsidiaries in which the Company holds, directly or indirectly, 90% or more of the voting shares shall not exceed 10% of the Company’s net worth as stated in the Company’s most recent financial statements. Notwithstanding, this shall not apply to the endorsements and guarantees made among subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares.  
Where an endorsement and guarantee is made due to needs arising from business dealings, in addition to said requirements about authorized limit, the individual endorsement and guarantee made therefor shall be no more than the transaction value between both parties for the most



recent year.

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

- Article 5: Decision-making and level of authority  
The authorized limit on endorsements/guarantees to a single entity shall be subject to review and approval by the Chairman of Board, and then submitted to the Board of Directors for a resolution. Notwithstanding, substantial endorsements/guarantees shall be approved by a majority of all Audit Committee members and submitted to the Board of Directors for a resolution in advance. The Chairman is authorized to make decisions within the specific aggregate limit during adjournment of Board of Directors' meeting, and then have it ratified by the most recent Board of Directors' meeting. Notwithstanding, subsidiaries in which the Company holds, directly or indirectly, 90% or more of the voting shares may not make endorsements/guarantees until the same is reported to and resolved by a Board of Directors' meeting of the Company. Notwithstanding, this shall not apply to the endorsements and guarantees made among subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares.
- Article 6: Procedure for Making of Endorsements/Guarantees
- I. When applying for the authorized limit of endorsement/guarantee, the endorsed/guaranteed enterprise shall provide its basic information and financial information, and submit an application to the Company's Financial Department for the endorsement/guarantee. The Financial Department shall thoroughly evaluate the related information, and conduct credit investigation each year during the period when the endorsement/guarantee persists. The scope of evaluation covers the necessity and reasonableness of endorsement/guarantee, whether the amount of an endorsement/guarantee is commensurate to the total amount of trading between the two (2) companies when the endorsement/guarantee is made due to needs arising from business dealings, the impact on the Company's operational risk, financial condition and shareholders' equity, and whether collateral must be obtained and appraisal of the value thereof.
  - II. The Company's Financial Department shall compile the related information referred to in the preceding paragraph and submit the same together with the evaluation result to the Chairman of Board for review and approval, and then have the same submitted to a Board of Directors' meeting for a resolution, or have the Chairman of Board make decisions with authorization, before making the endorsement/guarantee.
  - III. Financial Department shall prepare a memorandum book for the endorsements/guarantees made by it and truthfully record the following information: subject of the endorsement/guarantee, amount, date of approval by the Board of Directors' meeting or decision made by the Chairman of Board, date of endorsement/guarantee, issues to be evaluated carefully pursuant to the Procedure, contents of collateral and value thereof upon evaluation, conditions for and date of termination of the endorsement/guarantee, and amount and date of liability of guarantee.
  - IV. Upon discharge from debt, the endorsed/guaranteed enterprise shall notify the relevant information to the Company's Financial Department to relieve the Company from the liability of guarantee and enable the Company to record the discharge in the memorandum book for the endorsements/guarantees.
  - V. The Company's Financial Department shall evaluate and state the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures and issuance of adequate audit report.
- Article 7: Procedure for usage and custody of corporate chop  
The Company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop shall be kept in the custody of a designated person approved by the Board of Directors. The same shall apply if the chop is

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

Article 8: Notes to Making of Endorsements/Guarantees

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

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

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

Where the endorsed/guaranteed company is a subsidiary whose net worth in the most recent financial statement is lower than half of its paid-in capital, Financial Department shall obtain the annual financial statements of the endorsed/guaranteed company and conduct the risk evaluation report on necessity and reasonableness, and then submit the statements and report to the Chairman of Board for approval. In the case of a subsidiary with shares having no par value or a par value other than NT\$10, the paid-in capital shall refer to the sum of the share capital plus paid-in capital in excess of par.

Article 9: Time limit for public announcement and contents thereof

- I. The Company shall enter the balance of endorsements/guarantees made by the Company and its subsidiaries in the last month into the MOPS by tenth (10th) day of each month.
- II. Where balance of endorsements/guarantees made by the Company and its subsidiaries reaches one of the following limits, the Company shall enter the balance into the MOPS within two (2) days commencing immediately from the date of occurrence:
  - (I) The balance of endorsements/guarantees made by the Company and its subsidiaries reaches fifty (50) percent or more of the Company's net worth as stated in its latest financial statement.
  - (II) The balance of endorsements/guarantees made by the Company and its subsidiaries to a single entity reaches twenty (20) percent or more of the Company's net worth as stated in its latest financial statement.
  - (III) The balance of endorsements/guarantees by the Company and its subsidiaries to a single entity reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to, such entity reaches thirty (30) percent or more of the Company's net worth as stated in its latest financial statement.
  - (IV) The amount of new endorsements/guarantees made by the Company and its subsidiaries reaches NT\$30 million or more, and reaches five (5) percent or more of the Company's net worth as stated in its latest financial statement.

Date of occurrence referred to herein means the contracting date, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

- III. The Company shall report to the MOPS on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to the preceding paragraph. The proportion of the balance of endorsements/guarantees made by subsidiaries referred to in the preceding paragraph in net worth shall refer to the proportion of the same in the Company's net worth.

Article 10: Procedure for Control over Endorsements/Guarantees Made by Subsidiaries

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

Article 11: Penalty

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

Article 12: Enforcement and amendment

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

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

## Appendix 4

### ASIA POLYMER CORPORATION

#### Stake of Directors

Title	Name	Stake
Chairperson	Yih-Guei Wu (Representative of Union Polymer International Investment Corporation)	186,955,874
Director	Yi-Shaw Ko (Representative of Taiwan Union International Investment Corporation)	19,563,353
Director	Kuang-Che,Huang (Representative of Union Polymer International Investment Corporation)	186,955,874
Director	Kuo-Hong, Lee (Representative of Union Polymer International Investment Corporation)	
Director	Han-Tai,Liu (Representative of Union Polymer International Investment Corporation)	
Director	Jen-Two,Liu (Representative of Union Polymer International Investment Corporation)	
Independent Director	Frank Chen	0
Independent Director	Shang-hung Shen	0
Independent Director	Dun-chien Cheng	0
Total Stake of Directors		206,519,227
Stake by Law of Directors		16,579,670

Note: 1. The said stake is the number of shares registered in the List of Shareholders dated by the book closure date (April 7) of the 2018 AGM.

2. The total issued shares of APC are 518,114,715 shares.

## Appendix 5

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

Item	Year	2018 (Estimates)	
Beginning paid-in capital		NT\$5,181,147,150	
Stock dividend of the year (Note 1)	Cash dividend per share	NT\$0.2	
	Stock dividend per share for capitalization with earnings.	0.07 share	
	Stock dividend per share for capitalization with capital reserve.	0 share	
Impact on business performance	Operating income	N/A (Note 2)	
	Rate of increase (decrease) of operating income YOY		
	Net profit after tax		
	Rate of increase (decrease) of net profit after tax YOY		
	EPS		
	Rate of increase (decrease) of EPS YOY		
	Average ROI (reciprocal of average price-earnings ratio (PER))		
Proposed EPS and PER	If issuing dividends in cash for capitalization with earnings		Proposed EPS
			Proposed annual average ROI
	If no capitalization with legal reserve		Proposed EPS
			Proposed annual average ROI
	If issuing dividends in cash for capitalization with earnings without capitalization with legal reserve		Proposed EPS
			Proposed annual average ROI

Note 1: Dividend distribution for 2017 is shown according to the profit distribution proposal resolved by the Board on March 12, 2018.

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

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

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

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

Chairperson:

Manager:

Case Officer:

## Appendix 6

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

1. Referring to Article 172-1 of the Company Act: “Shareholder(s) holding one per cent (1%) or more of the total number of outstanding shares of a company may make a proposal for discussion at a general meeting of shareholders, provided that only one matter shall be allowed in each single proposal of not more than 300 words.”
2. The acceptance period of proposals from shareholders for the 2018 AGM is from March 29, 2018 to April 8, 2018. All proposals were disclosed on the Market Observation Post System by law on March 19, 2018.
3. No proposal from shareholder was received during the said period.