

Stock Code: 1304

USI Corporation

Handbook for the

2019 Annual General Meeting
of Shareholders

Date: June 12, 2019

Location: The National Taiwan Science
Education Center (NTSEC)
International Conference Hall
9F, No. 189, Shishang Rd., Shilin Dist.,
Taipei City

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USI Corporation

**Procedure of the 2019 Annual General Meeting of
Shareholders**

1. Announcement of the Commencement of the Meeting
2. Chairperson Takes Chair
3. Opening Speech of the Chairperson
4. Report Items
5. Matters for Ratification and Discussion (I)
6. Elections
7. Matter for Discussion (II)
8. Extemporaneous Motions
9. Adjournment

USI Corporation
Year 2019
Agenda of Annual General Meeting of Shareholders

Date : Jun.12, 2019 (Wednesday) AM 09:00

Location: 9F, No. 189, Shishang Rd., Shilin Dist., Taipei City

The National Taiwan Science Education Center (NTSEC) International
Conference Hall

1. Report Items:

- (1) To report 2018 operating results.
- (2) To report Audit Committee's Review Reports of 2018 Financial Statement.
- (3) To report 2018 remuneration of directors and employees.
- (4) To report the amendment to Parliamentary Rules for Directors' Meetings.

2. Matters for Ratification and Discussion (I):

- (1) To ratify 2018 Business Report and Financial Statements.
- (2) To ratify 2018 earnings distribution.
- (3) To approve the amendment to the Articles of Incorporation.
- (4) To approve the amendment to the Parliamentary Rules for Shareholders' Meetings.
- (5) To approve the amendment to the Rules for Election of Directors.
- (6) To approve the amendment to the Operating Procedure for Acquisition or Disposition of Assets.
- (7) To approve the permission of a director for competitive actions.

3. Elections:

By-election of one independent director.

4. Matter Discussion (II)

To approve the permission of new independent director for competitive actions.

5. Extemporary Motions:

6. Adjournment

I. Report Items:

Report 1

To report 2018 operating results.

USI Corporation

2018 Business Report

In 2018, the net sales amount was NT\$11.8 billion, 2% higher than that of 2017, with a budget achievement rate of 100%. The net income before tax was about NT\$620 million, NT\$587 million less than that of 2017, with a budget achievement rate of 60% and net income after tax of NT\$540 million.

The 2018 ethylene supply was tightened as the overhaul of many naphtha cracking plants began. Along with the on-going demand for ethylene derivatives, the price of ethylene products in stock was even higher than the global PE price. Oftentimes, the price difference between ethylene and PE was unfavorable, leading to a cost increase of major material ethylene compared to 2017. Influenced by the dumping measures of the Chinese “June 1 PV New Policy,” the demand for solar grade EVA froze immediately after mid-June. Fortunately, recovery began after September. Although we consumed capacity by switching to styrene grade EVA, the volume of annual EVA sales was still 3,461 m.t. less than in 2017. The cost of vinyl acetate, another major material of EVA, rose significantly in 2018 due to the production cut by suppliers and the increase in EVA demand downstream. The total unit

consumption cost rose by 9%. The total volume of the EVA/PE sales in 2018 was 253,263 m.t., 8,426 m.t. less than in 2017. The average increase in the sales price was lower than that of the materials cost, thus reducing the profit. In production, we continued to make process improvements and old equipment renewal to enhance the production efficiency and quality. The annual production totaled 241,699 m.t. In addition, we proactively cultivated talents, made HSE improvements, implemented energy conservation, practiced the ISO-50001 energy management system, and improved the corporate image. In research and development, we continued to optimize the process for producing optical grade cyclic block copolymers (CBC). Our CBC products have been successfully verified and implemented in biomedical examinations, optical lenses and specialty packaging materials. In addition, we smoothly produced and developed EVA products with high VA content in response to new application developments in order to enhance competitiveness.

The 2018 net operating income was NT\$112 million. The 2018 net non-operating income was NT\$508 million, including mainly income from investments and income from dividends. In addition to persistently enhancing our concerns for and implementation of environmental and safety measures, we strengthened our predictive maintenance to ensure the safety of the working environment in all plants. In CSR, apart from making continuous efforts to save energy, reduce emissions and ensure public safety, we fulfilled our CSR through real actions by supporting social vulnerable groups and people living in remote rural areas, caring for the environment and ecology, and sponsoring

educational and charitable groups as well as service-based clubs of colleges and universities.

Looking at 2019, there will be less naphtha cracking plants in overhaul to relieve the ethylene supply tension. Along with the unchanged solar energy support announced in early November 2018 by the Chinese government, the future of the solar energy market is optimistic. Furthermore, since no new EVA capacity will start operations before the second half of 2019, the oversupply pressure of EVA is expected to be relieved. Influenced by the US-China trade war, however, it is expected that the macroeconomic demand will fall. We will take actions to stabilize the low-price ethylene materials, reduce the production costs, improve the product quality and continue to develop differentiated products in order to pursue sustainable business and development. In addition to maintaining product quality and service superiority, we will engage in research and development more aggressively to enhance product competitiveness in order to pave the way for sustainable development and growth.

Chairperson: Yi-Gui Wu

President: Ke-Shun Wang

Chief Accounting Officer: Chuan-Hua Kuo

Report Items:

Report 2

To report Audit Committee's Review Reports of 2018 Financial Statement.

USI Corporation Audit Report

This Audit Committee has audited the 2018 Business Report produced by the Board of Directors, the financial statements (including individual and consolidated financial statements) audited and certified by CPA Bi-Yu Zhaug and CPA Zheng-Hong Guo of Deloitte Taiwan, and the proposal for profit distribution and found no nonconformity. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, this report is presented for approval to AGM.

To

The 2019 Annual General Meeting of Shareholders

Audit Committee, USI Corporation

Independent Director: Chong Chen

Independent Director: Li-Xing Cai

Independent Director: Ying-Jun Hai

March 8, 2019

Report Items:

Report 3

To report 2018 remuneration of directors and employees.

Description: 1. Proceeded in accordance with related orders of the Ministry of Economic Affairs and Article 34 of the Articles of Incorporation of the Company.

2. The 2018 remuneration for directors will be distributed in cash at 0.82%, NT\$5,200,000, of the 2018 earnings.

3. The 2018 remuneration for employees will be distributed in cash at 1%, NT\$6,318,609, of the 2018 earnings.

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 related laws and orders.

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

USI Corporation

The Amendment to the Parliamentary Rules for Directors' Meetings

After amendment	Before amendment	Description
<p>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. 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.</p>	<p>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 <u>or fax</u>. 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.</p>	Text Correction.
<p>Article 10: <u>Except as otherwise provided by the acts,</u> 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.</p>	<p>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.</p>	Text Correction.
<p>Article 14: When the chairperson at a directors' meeting is of the opinion that a matter has been sufficiently discussed to a degree of</p>	<p>Article 14: When the chairperson at a directors' meeting is of the opinion that a matter has been sufficiently discussed to a degree of</p>	Amendments made in accordance with the

<p>putting to a vote, the chairperson may announce the discussion closed and bring the matter to vote.</p> <p>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. <u>If there is an objection following an inquiry by the chairperson, One voting method for proposals at a board meeting shall be selected by the chairperson from the methods listed below:</u></p> <p><u>1. A show of hands.</u></p> <p><u>2. A vote by ballot.</u></p> <p>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.</p> <p>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.</p> <p>“All directors present at the meeting” referred in Paragraph 2 exclude directors prohibited from exercising voting rights pursuant to Paragraphs 1 and 2 of Article 16 herein.</p>	<p>putting to a vote, the chairperson may announce the discussion closed and bring the matter to vote.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>“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.</p>	<p>amendment to the “Sample Template for XXX Co., Ltd. Rules of Procedure for Board of Directors Meetings”</p>
<p>Article 16:</p> <p>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.</p> <p><u>Where the spouse, a blood relative within</u></p>	<p>Article 16:</p> <p>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.</p> <p>The provisions of Paragraph 2 of Article</p>	<p>1. Amendments made in accordance with the amendment to the “Company Act Article 206”</p> <p>2. Text Correction.</p>

<p><u>the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.</u></p> <p>The provisions of Paragraph 2 of Article 180 of the Company Act, as applied mutatis mutandis under Paragraph 4 of Article 206 of the Company Act, apply to resolutions of a directors' meetings when a board director is prohibited by the <u>preceding two paragraphs</u> from exercising voting rights.</p>	<p>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 <u>preceding paragraph</u> from exercising voting rights.</p>	
<p>Article 17: Minutes shall be prepared of the discussions at directors' meetings. The meeting minutes shall record the following:</p> <ol style="list-style-type: none"> 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 Paragraphs 1 <u>and 2</u> 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 	<p>Article 17: Minutes shall be prepared of the discussions at directors' meetings. The meeting minutes shall record the following:</p> <ol style="list-style-type: none"> 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 	<p>Text Correction.</p>

<p>other persons; the name of any director that is an interested party as referred to in Paragraphs 1 <u>and 2</u> 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.</p> <p>IX. Other matters required to be recorded. (The following are omitted)</p>	<p>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.</p> <p>IX. Other matters required to be recorded. (The following are omitted)</p>	
<p>Article 19: The Rules shall be <u>enforced upon</u> approval by the Board of Directors. The same shall apply where the Rules are amended.</p>	<p>Article 19: The Rules shall be <u>subject to</u> approval by the Board of Directors <u>and submitted to the latest shareholders' meeting</u>. The same shall apply where the Rules are amended. <u>The Rules shall be enforced upon approval by the Board of Directors.</u></p>	<p>Amendments made in accordance with the amendment to the "Sample Template for XXX Co., Ltd. Rules of Procedure for Board of Directors Meetings"</p>

II. Matters for Ratification and Discussion (I):

Proposal 1

Proposed by the Board

To ratify 2018 Business Report and Financial Statements.

Description: 1. The 2018 financial statements (including individual and consolidated financial statements) approved by the Board on March 8, 2019 are audited by CPA Bi-Yu Zhaug and CPA Zheng-Hong Guo of Deloitte Taiwan and the Audit Committee for the record.

2. Please refer to p. 4-6 of this Handbook for the 2018 Business Report and p.15-39 for the CPA Audit Report and the financial statements.

Resolution:

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
USI Corporation

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China (ROC). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Company's financial statements for the year ended December 31, 2018 are stated as follows:

Estimation of Inventory Write-downs

As of December 31, 2018, the carrying amount of inventory was NT\$1,368,761 thousand (i.e. the gross

amount of inventory of NT\$1,376,352 thousand with a deduction of allowance for impairment of NT\$7,591 thousand) which accounted for 5% of the total assets in the financial statements as a whole. The Company's inventories are stated at the lower of cost or net realizable value and are subject to the price fluctuations of ethylene. With the drastic fluctuation of oil prices worldwide, the estimation of the net realizable value is affected by management's subjective judgment and evaluation. Thus, the estimation of inventory write-downs, in our professional judgement, is one of the key audit matters.

For the significant accounting policies, critical accounting judgments, and key sources of estimation uncertainty related to the estimation of inventory write-downs, refer to Note 4(e), Note 5(c) and Note 13 to the financial statements.

We performed the corresponding audit procedures, for the estimation of inventory write-downs, as follows:

1. We understood and evaluated the reasonableness of the Company's policy and methods for the allowance for losses on inventory.
2. We obtained the evaluation documents of the allowance for losses on inventory from management. We sampled and inspected the latest inventory quotations or sales invoices to verify the 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 inventory.

Revenue Recognition - Revenue from Specific Customers

The operating revenue of the Company is dispersive to customers with large volume of transactions. The revenue from specific customers, with a growth higher than the average sales trend of the industry in the past three years for the year ended December 31, 2018 was NT\$3,886,856 thousand which accounted for approximately 33% of the operating revenue in the financial statements as a whole. The Company's financial statements would be influenced by a material misstatement of revenue from specific customers. Therefore, recognition of revenue from these specific customers is identified as one of the key audit matters.

For to the significant accounting policies and critical accounting judgments and key sources of estimation uncertainty related to the recognition of revenue from specific customers, refer to Note 4(l) and Note 25 to the financial statements.

We performed the corresponding audit procedures, for the recognition of specific customers, as follows:

1. We obtained an understanding of the design and implementation of internal controls about these

specific customers and tested whether these controls were performed effectively.

2. We sampled and inspected purchase orders, shipping documents, billing orders and receipt documents, to confirm whether the significant risks and rewards of ownership of the goods had been transferred to the buyer and to confirm the rationality of the timing of specific customers' revenue recognition on specific sales.
3. We reviewed sales returns and discounts recognized and the amounts received in subsequent periods to assess or any abnormalities.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may

involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's 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, 2018 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 Pi-Yu Chuang and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 2019

Notice to Readers

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

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

USI CORPORATION

BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 3, 4 and 6)	\$ 1,789,529	6	\$ 1,951,190	7
Financial assets at fair value through profit or loss (FVTPL)- current (Notes 3, 4 and 7)	1,236,761	4	1,680,720	6
Financial assets measured at amortized cost - current (Notes 3, 4, 9 and 33)	60,500	-	-	-
Debt investments with no active market - current (Notes 3, 4, 11 and 33)	-	-	54,000	-
Notes receivable, net (Notes 3, 4, 5 and 12)	92,521	-	98,428	1
Accounts receivable, net (Notes 3, 4, 5 and 12)	1,411,861	5	1,128,049	4
Accounts receivable from related parties (Notes 3, 4, 12 and 32)	61,326	-	84,119	1
Other receivables (Notes 3, 4 and 12)	61,616	-	72,405	-
Other receivables from related parties (Notes 3, 4, 12 and 32)	329,845	1	566,138	2
Current tax assets (Notes 4 and 27)	-	-	3,254	-
Inventories (Notes 4, 5 and 13)	1,368,761	5	1,343,725	5
Prepayments	173,019	1	151,889	1
Other current assets	31	-	-	-
Total current assets	<u>6,585,770</u>	<u>22</u>	<u>7,133,917</u>	<u>27</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 3, 4 and 8)	1,021,501	4	-	-
Available-for-sale financial assets - non-current (Notes 3, 4 and 10)	-	-	892,511	3
Financial assets measured at cost - non-current (Notes 3, 4 and 14)	-	-	186,650	1
Investments accounted for using the equity method (Notes 3, 4, 15 and 35)	14,967,524	51	11,721,808	44
Property, plant and equipment (Notes 4, 5, 16 and 33)	6,682,004	23	6,536,559	25
Investment properties (Notes 4, 5, 17 and 32)	32,366	-	33,467	-
Intangible assets (Notes 4, 5 and 18)	470	-	33,638	-
Deferred tax assets (Notes 4 and 27)	80,749	-	75,183	-
Other non-current assets (Notes 29 and 33)	97,386	-	108,312	-
Total non-current assets	<u>22,882,000</u>	<u>78</u>	<u>19,588,128</u>	<u>73</u>
TOTAL	<u>\$ 29,467,770</u>	<u>100</u>	<u>\$ 26,722,045</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 19)	\$ 1,753,000	6	\$ 200,000	1
Short-term bills payable (Note 19)	199,981	1	-	-
Financial liabilities at fair value through profit or loss (FVTPL) - current (Notes 4 and 7)	6,817	-	5,154	-
Accounts payable (Note 21)	788,239	3	1,208,350	5
Accounts payable from related parties (Notes 21 and 32)	163,346	-	100,228	-
Other payables (Notes 22 and 26)	273,325	1	403,848	2
Other payables from related parties (Notes 22 and 32)	16,179	-	17,720	-
Current tax liabilities (Notes 4 and 27)	33,353	-	58,642	-
Other current liabilities (Note 32)	59,499	-	82,902	-
Total current liabilities	<u>3,293,739</u>	<u>11</u>	<u>2,076,844</u>	<u>8</u>
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 20)	5,992,604	20	5,990,167	22
Long-term borrowings (Notes 19 and 33)	1,500,000	5	-	-
Deferred tax liabilities (Notes 4 and 27)	171,743	1	137,354	1
Net defined benefit liabilities - non-current (Notes 4 and 23)	308,934	1	376,438	1
Credit balance for investments accounted for using the equity method (Notes 4 and 15)	1,310	-	2,841	-
Other non-current liabilities (Note 29)	12,287	-	13,994	-
Total non-current liabilities	<u>7,986,878</u>	<u>27</u>	<u>6,520,794</u>	<u>24</u>
Total liabilities	<u>11,280,617</u>	<u>38</u>	<u>8,597,638</u>	<u>32</u>
EQUITY (Notes 3, 4, 8, 10, 23, 24 and 27)				
Share capital				
Ordinary shares	11,887,635	40	11,654,544	44
Capital surplus	253,738	1	238,194	1
Retained earnings				
Legal reserve	2,925,759	10	2,814,630	11
Special reserve	375,127	1	375,127	1
Unappropriated earnings	3,513,943	12	3,548,804	13
Total retained earnings	<u>6,814,829</u>	<u>23</u>	<u>6,738,561</u>	<u>25</u>
Other equity	(293,443)	(1)	(31,286)	-
Treasury shares	(475,606)	(1)	(475,606)	(2)
Total equity	<u>18,187,153</u>	<u>62</u>	<u>18,124,407</u>	<u>68</u>
TOTAL	<u>\$ 29,467,770</u>	<u>100</u>	<u>\$ 26,722,045</u>	<u>100</u>

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

USI CORPORATION

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 25 and 32)				
Sales	\$ 11,763,140	100	\$ 11,551,511	100
OPERATING COSTS (Notes 4, 13, 16, 18, 23, 26 and 32)	<u>10,956,048</u>	<u>93</u>	<u>10,350,818</u>	<u>90</u>
GROSS PROFIT	807,092	7	1,200,693	10
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Notes 4 and 32)	(1,035)	-	(1,905)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Notes 4 and 32)	<u>1,905</u>	<u>-</u>	<u>2,127</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>807,962</u>	<u>7</u>	<u>1,200,915</u>	<u>10</u>
OPERATING EXPENSES (Notes 4, 16, 18, 23, 26, 29 and 32)				
Selling and marketing expenses	249,633	2	254,971	2
General and administrative expenses	267,581	2	290,739	3
Research and development expenses	<u>178,611</u>	<u>2</u>	<u>151,419</u>	<u>1</u>
Total operating expenses	<u>695,825</u>	<u>6</u>	<u>697,129</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>112,137</u>	<u>1</u>	<u>503,786</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4, 16, 26, 29 and 32)	185,355	2	176,984	2
Other gains and losses (Notes 4, 7, 10, 14, 17, 18, 26 and 32)	(32,548)	-	(60,654)	(1)
Finance costs (Notes 4, 19, 20 and 26)	(60,326)	(1)	(43,818)	-
Share of profit of subsidiaries accounted for using the equity method (Notes 4 and 15)	<u>415,724</u>	<u>3</u>	<u>630,640</u>	<u>5</u>
Total non-operating income and expenses	<u>508,205</u>	<u>4</u>	<u>703,152</u>	<u>6</u>
PROFIT BEFORE INCOME TAX	620,342	5	1,206,938	10
INCOME TAX EXPENSE (Notes 4 and 27)	<u>80,407</u>	<u>-</u>	<u>95,648</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>539,935</u>	<u>5</u>	<u>1,111,290</u>	<u>9</u>

(Continued)

USI CORPORATION

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

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 23)	\$ 807	-	\$ (11,231)	-
Profit of equity instruments measured at FVTOCI (Notes 4 and 24)	24,687	-	-	-
Share of the other comprehensive income of subsidiaries accounted for using the equity method, net of tax (Notes 4 and 24)	(204,114)	(2)	(14,911)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4, 24 and 27)	3,708	-	1,909	-
	<u>(174,912)</u>	<u>(2)</u>	<u>(24,233)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 24)	32,263	-	(140,102)	(1)
Unrealized loss on available-for-sale financial assets (Notes 4 and 24)	-	-	(76,626)	(1)
Share of the other comprehensive (loss) income of subsidiaries accounted for using the equity method, net of tax (Notes 4 and 24)	(24,130)	-	75,886	1
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 24 and 27)	(6,623)	-	23,817	-
	<u>1,510</u>	<u>-</u>	<u>(117,025)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(173,402)</u>	<u>(2)</u>	<u>(141,258)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ <u>366,533</u>	<u>3</u>	\$ <u>970,032</u>	<u>8</u>
EARNINGS PER SHARE (Note 28)				
Basic	<u>\$ 0.50</u>		<u>\$ 1.04</u>	
Diluted	<u>\$ 0.50</u>		<u>\$ 1.04</u>	

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

(Concluded)

USI CORPORATION

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

	Capital Surplus				Retained Earnings			Other Equity			Treasury Shares (Notes 4 and 24)	Total
	Share Capital (Notes 4 and 24)	Treasury Share Transactions (Note 24)	Changes in Capital Surplus from Investments in Associates Accounted for Using the Equity Method (Notes 4 and 24)	Others (Note 24)	Legal Reserve (Note 24)	Special Reserve (Note 24)	Unappropriated Earnings (Notes 3, 4, 8, 23, 24 and 27)	Exchange Differences on Translating Foreign Operations (Notes 4, 24 and 27)	Unrealized Gain (Loss) on Available-for-sale Financial Assets (Notes 3, 4, 10 and 24)	Unrealized Gain (Loss) on Financial Assets Measured at FVTOCI (Notes 3, 4, 8, 24, and 31)		
BALANCE AT JANUARY 1, 2017	\$ 11,426,024	\$ 204,289	\$ 129	\$ 11,717	\$ 2,695,673	\$ 411,010	\$ 3,367,821	\$ 8,204	\$ 77,535	\$ -	\$ (475,606)	\$ 17,726,796
Appropriation of the 2016 earnings												
Legal reserve	-	-	-	-	118,957	-	(118,957)	-	-	-	-	-
Special reserve reversal	-	-	-	-	-	(35,883)	35,883	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(571,301)	-	-	-	-	(571,301)
Share dividends distributed by the Company	228,520	-	-	-	-	-	(228,520)	-	-	-	-	-
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	1,111,290	-	-	-	-	1,111,290
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(24,233)	(199,084)	82,059	-	-	(141,258)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	1,087,057	(199,084)	82,059	-	-	970,032
Changes in capital surplus and retained earnings from investments in subsidiaries	-	-	867	-	-	-	(23,179)	-	-	-	-	(22,312)
Other changes in capital surplus	-	-	-	2,771	-	-	-	-	-	-	-	2,771
Changes in capital surplus from distributing cash dividends to subsidiaries	-	18,421	-	-	-	-	-	-	-	-	-	18,421
BALANCE AT DECEMBER 31, 2017	11,654,544	222,710	996	14,488	2,814,630	375,127	3,548,804	(190,880)	159,594	-	(475,606)	18,124,407
Effects of retrospective application	-	-	-	-	-	-	30,762	-	(159,594)	181,005	-	52,173
RECLASSIFIED BALANCE AT JANUARY 1, 2018	11,654,544	222,710	996	14,488	2,814,630	375,127	3,579,566	(190,880)	-	181,005	(475,606)	18,176,580
Appropriation of the 2017 earnings												
Legal reserve	-	-	-	-	111,129	-	(111,129)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(349,636)	-	-	-	-	(349,636)
Share dividends distributed by the Company	233,091	-	-	-	-	-	(233,091)	-	-	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	539,935	-	-	-	-	539,935
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	12,396	1,510	-	(187,308)	-	(173,402)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	552,331	1,510	-	(187,308)	-	366,533
Changes in capital surplus and retained earnings from investments in subsidiaries	-	-	1,596	-	-	-	4,664	-	-	(7,595)	-	(1,335)
Other changes in capital surplus	-	-	-	2,675	-	-	-	-	-	-	-	2,675
Disposal of subsidiaries	-	-	-	-	-	-	-	(18,937)	-	-	-	(18,937)
Changes in capital surplus from distributing cash dividends to subsidiaries	-	11,273	-	-	-	-	-	-	-	-	-	11,273
Disposal of equity instruments measured at FVTOCI	-	-	-	-	-	-	71,238	-	-	(71,238)	-	-
BALANCE AT DECEMBER 31, 2018	\$ 11,887,635	\$ 233,983	\$ 2,592	\$ 17,163	\$ 2,925,759	\$ 375,127	\$ 3,513,943	\$ (208,307)	\$ -	\$ (85,136)	\$ (475,606)	\$ 18,187,153

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

USI CORPORATION

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 620,342	\$ 1,206,938
Adjustments for:		
Depreciation expenses	419,380	373,573
Amortization expenses	11,572	26,693
Net loss on fair value change of financial assets and liabilities as at FVTPL	1,171	55,533
Finance costs	86,490	62,324
Interest income	(18,186)	(22,755)
Dividend income	(68,098)	(57,681)
Share of profit of subsidiaries accounted for using the equity method	(415,724)	(630,640)
Gain on disposal of property, plant and equipment	(1,242)	(766)
Gain on disposal of investment	-	(45,693)
Impairment loss recognized on financial assets	-	3,047
Inventory write-downs recognized	5,426	728
Impairment loss recognized on non-financial assets	27,630	-
Unrealized gain on transactions with subsidiaries	1,035	1,905
Realized gain on transactions with subsidiaries	(1,905)	(2,127)
Changes in operating assets and liabilities		
Decrease in financial assets held for trading	-	557,393
Decrease in financial assets at FVTPL	472,412	-
Decrease (increase) in notes receivable	5,907	(3,060)
Increase in accounts receivable	(283,812)	(250,380)
Decrease (increase) in accounts receivable from related parties	22,793	(9,462)
Decrease (increase) in other receivables	9,849	(14,594)
Decrease (increase) in other receivables from related parties	236,293	(169,061)
Increase in inventories	(30,462)	(162,720)
(Increase) decrease in prepayments	(21,130)	30,737
(Increase) decrease in other current assets	(31)	171
Decrease in financial liabilities held for trading	(27,961)	(24,084)
(Decrease) increase in accounts payable	(420,111)	455,714
Increase (decrease) in accounts payable from related parties	63,118	(66,670)
(Decrease) increase in other payables	(128,918)	1,126
Decrease in other payables from related parties	(1,541)	(164,628)
(Decrease) increase in other current liabilities	(23,403)	7,295
Decrease in net defined benefit liabilities	(66,697)	(86,021)
Cash generated from operations	474,197	1,072,835
Interest received	19,126	23,639
Interest paid	(82,983)	(56,656)
Income tax paid	(76,534)	(29,134)
Net cash generated from operating activities	<u>333,806</u>	<u>1,010,684</u>

(Continued)

USI CORPORATION

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

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at FVTOCI	\$ 99,455	\$ -
Proceeds from capital reduction by returning cash of financial assets at FVTOCI	14,924	-
Payment for financial assets measured at amortized cost	(6,500)	-
Proceeds from sale of available-for-sale financial assets	-	123,208
Proceeds from capital reduction by returning cash of financial assets measured at cost	-	18,000
Net cash outflow on acquisition of subsidiaries	(3,034,601)	(330,000)
Payments for property, plant and equipment	(536,102)	(1,715,177)
Proceeds from disposal of property, plant and equipment	454	1,461
Increase in refundable deposits	(3,705)	(4,160)
Payments for intangible assets	(689)	(566)
Increase in other non-current assets	(18,438)	(12,954)
Dividends received	<u>86,337</u>	<u>69,601</u>
Net cash used in investing activities	<u>(3,398,865)</u>	<u>(1,850,587)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	1,553,000	(200,000)
Increase (decrease) in short-term bills payable	199,981	(99,980)
Proceeds from issuance of bonds payable	-	1,995,421
Proceeds from long-term borrowings	5,600,000	-
Repayments of long-term borrowings	(4,100,000)	-
Increase in guarantee deposits received	53	40
Acquisition of additional interests in subsidiaries	-	(2,353,071)
Payment for cash dividends	<u>(349,636)</u>	<u>(571,301)</u>
Net cash generated from (used in) financing activities	<u>2,903,398</u>	<u>(1,228,891)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(161,661)	(2,068,794)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,951,190</u>	<u>4,019,984</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,789,529</u>	<u>\$ 1,951,190</u>

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

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
USI Corporation

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the ROC. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the 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, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Estimation of Inventory Write-downs

As of December 31, 2018, carrying amount of inventory was NT\$6,703,104 thousand (i.e. the gross amount of inventory of NT\$7,481,309 thousand with a deduction of allowance for impairment of NT\$778,205 thousand) which accounted for 10% of the total assets in the consolidated balance sheets as a whole. The Group's inventories are stated at the lower of cost or net realizable value and are subject to the price fluctuations of ethylene. With the drastic fluctuation of oil prices worldwide, the estimation of the net realizable value is affected by the management's subjective judgment and evaluation. Thus, the estimation of inventory write-downs, in our professional judgement, is one of the key audit matters.

For the significant accounting policies, critical accounting judgments, and key sources of estimation uncertainty related to the estimation of inventory write-downs, refer to Note 4(g), Note 5(c) and Note 13 to the consolidated financial statements.

We performed the corresponding audit procedures, for the estimation of inventory write-downs, as follows:

1. We obtained and evaluated an understanding of the reasonableness of the Group's policy and methods for estimating the allowance for losses on inventory.
2. We obtained the evaluation documents of the allowance for losses on inventory from management. We sampled and inspected the latest inventory quotations or sales invoices to verify the 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.

Correctness of estimated allowance for impairment loss of accounts receivable

As of December 31, 2018, the carrying amount of notes and accounts receivable were NT\$8,548,733 thousand (i.e. the gross amount notes and accounts receivable of NT\$8,660,512 thousand with a deduction for allowances for impairment of NT\$111,779 thousand) which accounted for 13% of the total assets for the consolidated balance sheets. The Group's estimation of expected credit loss is based on customers' credit quality, aging schedule of notes and accounts receivable and amounts overdue. The estimation of expected credit loss is affected by critical judgement and estimation uncertainty. Thus, the estimation of allowance for impairment loss of notes and accounts receivable, in our professional judgement, is one of the key audit matters.

For the significant accounting policies and critical accounting judgments and key sources of estimation uncertainty related to the estimation of allowance for impairment loss of accounts receivable, refer to Note 4(n), Note 5(a) and Note 12 to the consolidated financial statements.

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

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the ROC will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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, 2018 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 Pi-Yu Chuang and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 2019

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the 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.

USI CORPORATION AND SUBSIDIARIES

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

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 3, 4 and 6)	\$ 8,123,304	12	\$ 8,473,862	13
Financial assets at fair value through profit or loss (FVTPL) - current (Notes 3, 4 and 7)	5,084,305	7	5,315,894	8
Financial assets at fair value through other comprehensive income (FVTOCI) - current (Notes 3, 4 and 8)	158,602	-	-	-
Available-for-sale financial assets - current (Notes 3, 4 and 10)	-	-	214,502	-
Financial assets measured at amortized cost - current (Notes 3, 4, 9 and 40)	439,135	1	-	-
Debt investments with no active market - current (Notes 3, 4, 11 and 40)	-	-	426,369	1
Notes receivable, net (Notes 3, 4, 5 and 12)	1,015,882	2	1,118,070	2
Accounts receivable, net (Notes 3, 4, 5 and 12)	7,532,851	11	6,950,029	11
Other receivables (Notes 3, 4, 12 and 39)	279,612	-	344,305	-
Current tax assets (Notes 4 and 32)	8,116	-	784	-
Inventories (Notes 4, 5 and 13)	6,703,104	10	6,857,754	11
Prepayments (Note 21)	742,562	1	772,093	1
Other current assets	11,909	-	10,766	-
Total current assets	30,099,382	44	30,484,428	47
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 3, 4 and 8)	2,521,855	4	-	-
Available-for-sale financial assets - non-current (Notes 3, 4, 10 and 40)	-	-	1,863,067	3
Financial assets measured at amortized cost - non-current (Notes 3, 4, 9, 40 and 41)	311,758	-	-	-
Financial assets measured at cost - non-current (Notes 3, 4 and 15)	-	-	676,120	1
Debt investments with no active market - non-current (Notes 3, 4, 11, 40 and 41)	-	-	311,573	1
Investments accounted for using the equity method (Notes 4 and 17)	10,338,945	15	5,241,747	8
Property, plant and equipment (Notes 4, 18 and 40)	23,825,239	35	23,758,495	37
Investment properties (Notes 4, 19 and 40)	182,424	-	182,216	-
Goodwill (Notes 4 and 20)	269,026	-	269,026	-
Other intangible assets (Notes 4 and 20)	33,377	-	93,349	-
Biological assets - non-current (Note 4)	-	-	22,798	-
Deferred tax assets (Notes 4 and 32)	633,334	1	632,062	1
Long-term prepayments for leases (Notes 21 and 40)	459,542	1	525,845	1
Other non-current assets (Notes 36 and 40)	316,156	-	333,125	1
Total non-current assets	38,891,656	56	33,909,423	53
TOTAL	\$ 68,991,038	100	\$ 64,393,851	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 22 and 40)	\$ 6,726,854	10	\$ 3,752,268	6
Short-term bills payable (Note 22)	1,514,784	2	1,684,506	3
Financial liabilities at fair value through profit or loss (FVTPL) - current (Notes 4 and 7)	11,135	-	7,883	-
Notes and accounts payable (Note 24)	3,392,687	5	3,965,444	6
Other payables (Note 25)	1,897,550	3	1,972,096	3
Current tax liabilities (Notes 4 and 32)	270,351	-	370,062	1
Provisions - current (Notes 4 and 26)	-	-	32,205	-
Current portion of long-term borrowings (Notes 22 and 40)	525,000	1	799,600	1
Refund liabilities - current (Note 25)	30,034	-	-	-
Other current liabilities	283,389	-	279,230	-
Total current liabilities	14,651,784	21	12,863,294	20
NON-CURRENT LIABILITIES				
Bonds payable (Note 23)	5,992,604	9	5,990,167	9
Long-term borrowings (Notes 22 and 40)	8,617,624	13	6,903,148	11
Provisions - non-current (Notes 4, 5, 26 and 41)	136,375	-	-	-
Deferred tax liabilities (Notes 4 and 32)	1,408,232	2	1,329,710	2
Net defined benefit liabilities - non-current (Notes 4, 5 and 27)	1,658,228	2	2,419,897	4
Other non-current liabilities (Notes 28 and 36)	71,482	-	79,216	-
Total non-current liabilities	17,884,545	26	16,722,138	26
Total liabilities	32,536,329	47	29,585,432	46
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 3, 4, 8, 10, 16, 17, 27, 29, 32, 35 and 38)				
Share capital				
Ordinary shares	11,887,635	17	11,654,544	18
Capital surplus	253,738	-	238,194	-
Retained earnings				
Legal reserve	2,925,759	4	2,814,630	4
Special reserve	375,127	1	375,127	1
Unappropriated earnings	3,513,943	5	3,548,804	6
Total retained earnings	6,814,829	10	6,738,561	11
Other equity	(293,443)	-	(31,286)	-
Treasury shares	(475,606)	(1)	(475,606)	(1)
Total equity attributable to owners of the Company	18,187,153	26	18,124,407	28
NON-CONTROLLING INTERESTS	18,267,556	27	16,684,012	26
Total equity	36,454,709	53	34,808,419	54
TOTAL	\$ 68,991,038	100	\$ 64,393,851	100

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

USI CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 30)				
Sales	\$ 60,892,513	100	\$ 58,133,943	100
COST OF GOODS SOLD (Notes 4, 13, 18, 20, 27 and 31)	<u>55,097,773</u>	<u>91</u>	<u>51,007,011</u>	<u>88</u>
GROSS PROFIT	<u>5,794,740</u>	<u>9</u>	<u>7,126,932</u>	<u>12</u>
OPERATING EXPENSES (Notes 4, 12, 18, 20, 27, 31 and 39)				
Selling and marketing expenses	2,048,027	3	2,038,049	3
General and administrative expenses	1,392,314	2	1,322,296	2
Research and development expenses	<u>421,600</u>	<u>1</u>	<u>388,920</u>	<u>1</u>
Total operating expenses	<u>3,861,941</u>	<u>6</u>	<u>3,749,265</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>1,932,799</u>	<u>3</u>	<u>3,377,667</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4, 31 and 39)	616,677	1	578,255	1
Other gains and losses (Notes 4, 10, 21, 27 and 31)	185,075	-	(223,854)	-
Finance costs (Notes 4, 22, 23 and 31)	(244,395)	-	(237,257)	(1)
Share of gain (loss) of joint ventures accounted for using the equity method (Notes 4 and 17)	<u>32,271</u>	<u>-</u>	<u>(6,541)</u>	<u>-</u>
Total non-operating income and expenses	<u>589,628</u>	<u>1</u>	<u>110,603</u>	<u>-</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	2,522,427	4	3,488,270	6
INCOME TAX EXPENSE (Notes 4 and 32)	<u>654,078</u>	<u>1</u>	<u>776,220</u>	<u>1</u>
NET PROFIT FROM CONTINUING OPERATIONS	1,868,349	3	2,712,050	5
NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS (Notes 4 and 14)	<u>7,467</u>	<u>-</u>	<u>(2,197)</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>1,875,816</u>	<u>3</u>	<u>2,709,853</u>	<u>5</u>

(Continued)

USI CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4, 27 and 29)	\$ 4,895	-	\$ (59,016)	-
Loss of equity instruments measured at FVTOCI (Notes 3, 4 and 29)	(24,377)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4, 29 and 32)	<u>17,566</u>	<u>-</u>	<u>9,003</u>	<u>-</u>
	<u>(1,916)</u>	<u>-</u>	<u>(50,013)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 29)	(74,387)	-	(416,317)	(1)
Unrealized gain on available-for-sale financial assets (Notes 4 and 29)	-	-	30,985	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 29 and 32)	<u>15,726</u>	<u>-</u>	<u>64,791</u>	<u>-</u>
	<u>(58,661)</u>	<u>-</u>	<u>(320,541)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(60,577)</u>	<u>-</u>	<u>(370,554)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,815,239</u>	<u>3</u>	<u>\$ 2,339,299</u>	<u>4</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 539,935	1	\$ 1,111,290	2
Non-controlling interests	<u>1,335,881</u>	<u>2</u>	<u>1,598,563</u>	<u>3</u>
	<u>\$ 1,875,816</u>	<u>3</u>	<u>\$ 2,709,853</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 366,533	1	\$ 970,032	2
Non-controlling interests	<u>1,448,706</u>	<u>2</u>	<u>1,369,267</u>	<u>2</u>
	<u>\$ 1,815,239</u>	<u>3</u>	<u>\$ 2,339,299</u>	<u>4</u>

(Continued)

USI CORPORATION AND SUBSIDIARIES

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

	<u>2017</u>		<u>2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
EARNINGS PER SHARE (Note 33)				
From continuing and discontinued operations				
Basic	<u>\$ 0.50</u>		<u>\$ 1.04</u>	
Diluted	<u>\$ 0.50</u>		<u>\$ 1.04</u>	
From continuing operations				
Basic	<u>\$ 0.50</u>		<u>\$ 1.04</u>	
Diluted	<u>\$ 0.50</u>		<u>\$ 1.04</u>	

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

(Concluded)

USI CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company												Non-controlling Interests (Notes 3, 8, 16, 29 and 35)	Total Equity
	Share Capital (Notes 4 and 29)	Treasury Share Transactions (Note 29)	Capital Surplus		Retained Earnings			Other Equity			Treasury Shares (Note 29)	Total		
			Shares of Changes in Capital Surplus of Associates (Notes 4 and 29)	Others (Note 29)	Legal Reserve (Note 29)	Special Reserve (Note 29)	Unappropriated Earnings (Notes 3, 4, 8 and 29)	Exchange Differences on Translating Foreign Operations (Notes 4, 29 and 32)	Unrealized Gain (Loss) on Available-for-sale Financial Assets (Notes 3, 4, 29 and 32)	Unrealized Gain (Loss) on Financial Assets Measured at FVTOCI (Notes 3, 4, 8, 29, 32 and 38)				
BALANCE AT JANUARY 1, 2017	\$ 11,426,024	\$ 204,289	\$ 129	\$ 11,717	\$ 2,695,673	\$ 411,010	\$ 3,367,821	\$ 8,204	\$ 77,535	\$ -	\$ (475,606)	\$ 17,726,796	\$ 14,292,690	\$ 32,019,486
Appropriation of the 2016 earnings	-	-	-	-	118,957	-	(118,957)	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	118,957	-	(118,957)	-	-	-	-	-	-	-
Special reserve reversal	-	-	-	-	-	(35,883)	35,883	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(571,301)	-	-	-	-	(571,301)	-	(571,301)
Share dividends distributed by the Company	228,520	-	-	-	-	-	(228,520)	-	-	-	-	-	-	-
Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(807,986)	(807,986)
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	1,111,290	-	-	-	-	1,111,290	1,598,563	2,709,853
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(24,233)	(199,084)	82,059	-	-	(141,258)	(229,296)	(370,554)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	1,087,057	(199,084)	82,059	-	-	970,032	1,369,267	2,339,299
Changes in capital surplus and retained earnings from investments in subsidiaries	-	-	867	-	-	-	(23,179)	-	-	-	-	(22,312)	22,312	-
Other changes in capital surplus	-	-	-	2,771	-	-	-	-	-	-	-	2,771	-	2,771
Changes in capital surplus from cash dividends paid to subsidiaries	-	18,421	-	-	-	-	-	-	-	-	-	18,421	-	18,421
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,807,729	1,807,729
BALANCE, DECEMBER 31, 2017	11,654,544	222,710	996	14,488	2,814,630	375,127	3,548,804	(190,880)	159,594	-	(475,606)	18,124,407	16,684,012	34,808,419
Effects of retrospective application	-	-	-	-	-	-	30,762	-	(159,594)	181,005	-	52,173	44,007	96,180
RECLASSIFIED BALANCE AT JANUARY 1, 2018	11,654,544	222,710	996	14,488	2,814,630	375,127	3,579,566	(190,880)	-	181,005	(475,606)	18,176,580	16,728,019	34,904,599
Appropriation of the 2017 earnings	-	-	-	-	111,129	-	(111,129)	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	111,129	-	(111,129)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(349,636)	-	-	-	-	(349,636)	-	(349,636)
Share dividends distributed by the Company	233,091	-	-	-	-	-	(233,091)	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(615,849)	(615,849)
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	539,935	-	-	-	-	539,935	1,335,881	1,875,816
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	12,396	1,510	-	(187,308)	-	(173,402)	112,825	(60,577)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	552,331	1,510	-	(187,308)	-	366,533	1,448,706	1,815,239
Changes in capital surplus and retained earnings from investments in subsidiaries	-	-	1,596	-	-	-	(2,931)	-	-	-	-	(1,335)	6,456	5,121
Other changes in capital surplus	-	-	-	2,675	-	-	-	-	-	-	-	2,675	-	2,675
Disposals of subsidiaries	-	-	-	-	-	-	-	(18,937)	-	-	-	(18,937)	(20,086)	(39,023)
Changes in capital surplus from distributing cash dividends to subsidiaries	-	11,273	-	-	-	-	-	-	-	-	-	11,273	-	11,273
Disposal of equity instruments measured at FVTOCI	-	-	-	-	-	-	78,833	-	-	(78,833)	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	720,310	720,310
BALANCE, DECEMBER 31, 2018	\$ 11,887,635	\$ 233,983	\$ 2,592	\$ 17,163	\$ 2,925,759	\$ 375,127	\$ 3,513,943	\$ (208,307)	\$ -	\$ (85,136)	\$ (475,606)	\$ 18,187,153	\$ 18,267,556	\$ 36,454,709

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

USI CORPORATION AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	\$ 2,522,427	\$ 3,488,270
Income (loss) before income tax from discontinued operations	<u>7,467</u>	<u>(2,197)</u>
Income before income tax	2,529,894	3,486,073
Adjustments for:		
Depreciation expenses	1,976,338	1,847,241
Amortization expenses	75,961	97,310
Expected credit loss recognized on accounts receivables	2,236	-
Impairment loss recognized on accounts receivable	-	18,830
Net loss on fair value changes of financial assets and liabilities as at FVTPL	11,169	105,887
Finance costs	271,182	252,541
Interest income	(171,664)	(106,217)
Dividend income	(186,003)	(185,187)
Share of (profit) loss of joint ventures accounted for using the equity method	(32,271)	6,541
Loss (gain) on disposal of property, plant and equipment	8,520	(9,306)
Loss on disposal of investment properties	-	497
Gain on disposal of land use rights	(262,617)	-
Gain on disposal of financial assets	-	(108,983)
Loss on impairment of financial assets	-	32,208
Impairment loss recognized (Reversed) on non-financial assets	66,283	(304)
Inventory write-downs recognized	176,999	25,016
Amortization of long-term prepayments for leases	15,706	10,008
Recognition of refund liabilities	10,493	-
Recognition of provisions	136,375	18,579
Gain on disposal of biological assets	(13,735)	-
Gain on disposal of subsidiaries	(116,576)	-
Changes in operating assets and liabilities		
Decrease in financial assets held for trading	223,672	1,178,341
Decrease (increase) in notes receivable	102,194	(209,045)
Increase in accounts receivable	(584,389)	(827,814)
Decrease (increase) in other receivables	65,807	(45,897)
Increase in inventories	(22,349)	(180,386)
Decrease (increase) in prepayments	41,209	(68,250)
(Increase) decrease in other current assets	(1,150)	4,070
Increase (decrease) in notes payable	123	(144)
(Decrease) increase in accounts payable	(572,867)	384,552
Decrease in other payables	(16,890)	(663)
Decrease in refund liabilities	(12,664)	-
Decrease in provisions	-	(9,415)
Decrease in net defined benefit liabilities	(757,957)	(626,240)
Increase in other current liabilities	<u>4,504</u>	<u>5,546</u>
Cash generated from operations	2,967,533	5,095,389
Interest received	171,205	67,422

(Continued)

USI CORPORATION AND SUBSIDIARIES

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

	2018	2017
Interest paid	\$ (268,333)	\$ (246,369)
Income tax paid	<u>(650,579)</u>	<u>(585,059)</u>
Net cash generated from operating activities	<u>2,219,826</u>	<u>4,331,383</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for financial assets at FVTOCI	(9,826)	-
Proceeds from sale of financial assets at FVTOCI	114,110	-
Proceeds from capital reduction of capital by returning cash of financial assets at FVTOCI	44,648	-
Proceeds from sale of financial assets measured at amortized cost	(12,951)	-
Proceeds from sale of available-for-sale financial assets	-	129,156
Decrease in debt investments with no active market	-	8,894
Proceeds from capital reduction by returning cash of financial assets measured at cost	-	47,993
Acquisition of investments accounted for using the equity method	(5,117,787)	(5,150,364)
Net cash inflow on disposal of subsidiaries	128,659	-
Net cash inflow on acquisition of subsidiaries	-	999,132
Payments for property, plant and equipment	(2,077,699)	(3,345,584)
Proceeds from disposal of property, plant and equipment	8,330	38,887
(Increase) decrease in refundable deposits	(11,052)	10
Payments for other intangible assets	(7,170)	(6,945)
Increase in other non-current assets	(8,263)	(120,611)
Decrease in biological assets	-	336
Increase in long-term prepayments for leases	(5,562)	-
Proceeds from disposal of land use rights	291,368	-
Dividends received	186,003	185,187
Proceeds from disposal of biological assets	<u>36,866</u>	<u>-</u>
Net cash used in investing activities	<u>(6,440,326)</u>	<u>(7,213,909)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in short-term borrowings	2,974,586	(1,196,900)
Decrease in short-term bills payable	(169,722)	(787,562)
Proceeds from issuance of bonds payable	-	1,995,421
Proceeds from long-term borrowings	20,970,400	16,750,000
Repayments of long-term borrowings	(19,530,524)	(16,980,452)
Increase (decrease) in guarantee deposits received	2,319	(1,896)
Decrease in other non-current liabilities	(10,053)	(3,426)
Decrease in dividends payable	(349,636)	(571,301)
Change in non-controlling interests	720,310	754,517
Dividends paid to non-controlling interests	<u>(615,849)</u>	<u>(807,986)</u>
Net cash generated from (used in) financing activities	<u>3,991,831</u>	<u>(849,585)</u>

(Continued)

USI CORPORATION AND SUBSIDIARIES

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

	2018	2017
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>\$ (121,889)</u>	<u>\$ 281,670</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(350,558)	(3,450,441)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>8,473,862</u>	<u>11,924,303</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 8,123,304</u>	<u>\$ 8,473,862</u>

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

(Concluded)

Matters for Ratification and Discussion (I):

Proposal 2

Proposed by the Board

To ratify 2018 earnings distribution.

Description : 1. In 2018, the net profit was NT\$539,934,834.

After appropriating NT\$53,993,483 as the legal reserve, the distributable net profit of 2018 is NT\$485,941,351. By the end of 2018, the accumulated distributable earnings is NT\$3,404,550,354 and will be distributed cash dividend NT\$356,629,050, i.e. NT\$0.3 per share.

The unappropriated earnings after distribution will be NT\$3,047,921,304.

2. Please refer to p. 42, “Profit Distribution Table”, for details.
3. According to this proposal, the profit of 2018 will first be distributed, and the insufficiency will be distributed from the profit of previous years.
4. The cash dividends allocated to each shareholder shall be rounded down to a whole

dollar amount of New Taiwan Dollars, and the total amount of allocation will be subject to the actual amount allocated.

5. Please authorize the Chairman to set a target date for the distribution of cash dividends after the adoption of this proposal.

Resolution:

USI Corporation

2018 Profit Distribution Table

expressed in NTD

Net profit before tax of 2018	620,342,245
Less: Income tax	(80,407,411)
Net profit of 2018	539,934,834
Less: Legal reserve	(53,993,483)
Distributable net profit of 2018	485,941,351
Add: Beginning appropriated earnings	2,854,947,498
Less: Special reserve appropriated by law	(55,399,014)
Add: Increase in the undistributed earnings under IFRS 9	30,763,242
Gain from disposals measured through other comprehensive income with fair value measurement tools	
Add: Retained earnings adjusted for investments made under the equity method	4,662,706
Add: Retained earnings adjusted for the defined benefit plan after re-measurement.	12,396,200
Add: Measuring the profit of equity instruments by fair value through other comprehensive gains and losses	71,238,371
Accumulated distributable earnings at the end of 2018	3,404,550,354
Distributable items: (total issued shares: 1,188,763,500)	
Cash dividend: 0.3/share	356,629,050
Total of distributable items	356,629,050
Unappropriated earnings at the end of 2018 transferred to the next year	3,047,921,304

Chairperson: Yi-Gui Wu President: Ke-shun Wang

Chief Accounting Officer: Chuan-Hua Kuo

Matters for Ratification and Discussion (I):

Proposal 3

Proposed by the Board

To approve the amendment to the “Articles of Incorporation”.

Description : 1. Part of the “Articles of Incorporation” is amended

in accordance with related laws and orders .

2. The amendment to the “Articles of Incorporation”

is shown in the next page.

Resolution :

USI Corporation

The Major Amendment to the Articles of Incorporation

After amendment	Before amendment	Description
<p>Article 6: <u>When issuing shares, this Company may be exempted from printing the stocks for such shares, provided that registration to and retention by a centralized securities depository enterprise shall be made.</u> <u>Printed</u> stocks shall be registered stocks <u>signed</u> or stamped by the directors <u>representing the Company</u>. Such stocks shall be numbered, containing the information as specified in Article 162 of the Company Act, and certified <u>by the law</u> prior to issuance.</p>	<p>Article 6: <u>The Company's share certificates shall be affixed with the signatures or personal seals of three or more directors of the Company, be assigned with serial numbers, indicate particulars referred to in Article 162 of the Company Act, and be issued upon the competent authority's approval of the registration of incorporation and certification pursuant to the Company Act.</u> <u>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.</u></p>	<p>Revised with respect to the legal amendments and business practices.</p>
<p>Article 10: The Company's shareholders' meetings consist of the following: 1. General shareholders' meeting 2. Special shareholders' meeting The general shareholder's meeting shall be held once a year and within six (6) months after close of each fiscal year. A special shareholders' meeting <u>may be held pursuant to laws when necessary. Unless otherwise provided for in laws, the Company's shareholders' meetings shall be convened by the Board of Directors, and may be held within/outside the territories of the R.O.C.</u></p>	<p>Article 10: The Company's shareholders' meetings consist of the following: 1. General shareholders' meeting 2. Special shareholders' meeting The general shareholder's meeting shall be convened <u>by the Board of Directors</u> once a year and within six (6) months after close of each fiscal year <u>pursuant to laws. In the case of important motions to be resolved, a special shareholders' meeting may be convened by the Board of Directors upon resolution of the Board, or upon written request by shareholder(s) who has/have been continuously holding 3% or more of the total number of the issued shares of the Company over one (1) year. The general shareholders' meeting and special shareholders' meeting may be held within/outside the territories of the R.O.C.</u></p>	<p>1. Revised with respect to the legal amendments. 2. Text Correction.</p>
<p>Article 11: Convening of a general shareholders' meeting shall be notified thirty (30) days ago, and convening of a special shareholders' meeting to be notified fifteen (15) days ago. The causes <u>and related content</u> of meeting shall be indicated in the notice pursuant to the Company Act or other laws.</p>	<p>Article 11: Convening of a general shareholders' meeting shall be notified thirty (30) days ago, and convening of a special shareholders' meeting to be notified fifteen (15) days ago. The causes of meeting shall be indicated in the notice pursuant to the Company Act or other laws.</p>	<p>Revised with respect to the legal amendments..</p>

<p>Article 12: Resolutions at a shareholders' meeting shall, unless otherwise provided for in Company Act or other laws, be adopted by a majority of eligible votes of the shareholders present, who represent more than a majority of the total issued shares. The voting power at a shareholders' meeting of the Company may be exercised by way of electronic transmission. A shareholder who exercises his/her/its voting power at a shareholders meeting by way of electronic transmission shall be deemed to have attended said shareholders' meeting in person. The related matters shall be implemented in accordance with laws.</p>	<p>Article 12: 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. <u>According to the competent authority's requirements</u>, the voting power at a shareholders' meeting of the Company may be exercised by way of electronic transmission. A shareholder who exercises his/her/its voting power at a shareholders meeting by way of electronic transmission shall be deemed to have attended said shareholders' meeting in person. The related matters shall be implemented in accordance with laws.</p>	<p>Revised according to the request for full-scale implementation of e-voting for all publicly offered companies as specified by the law currently in effect.</p>
<p>Article 14: Unless <u>otherwise provided for in</u> laws or the Articles, each of shares held by each shareholder shall have the right to one (1) vote.</p>	<p>Article 14: Unless <u>no voting right or restricted voting right required</u> under laws or the Articles, each of shares held by each shareholder shall have the right to one (1) vote.</p>	<p>Revised with respect to the legal amendments..</p>
<p>Article 16: Unless otherwise provided for in the Company Act, a shareholders' meeting shall be <u>convened by the Board of Directors</u> , and chaired by the Company's Chairman of Board. Where the Chairman is absent, the Chairman shall appoint a proxy to act on behalf of him/her pursuant to Article 208 of the Company Act.</p>	<p>Article 16: Unless otherwise provided for in the Company Act, a shareholders' meeting shall be chaired by the Company's Chairman of Board. Where the Chairman is absent, the Chairman shall appoint a proxy to act on behalf of him/her pursuant to Article 208 of the Company Act.</p>	<p>Text Correction.</p>
<p>Article 18: <u>A candidates nomination system shall be adopted by the Company for election of independent directors and non-independent directors.</u> The Company shall have 9~11 directors who shall be elected by the shareholders' meeting from among <u>the name list of candidates</u>. 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 competent securities authority.</p>	<p>Article 18: The Company shall have 9~11 directors who shall be elected by the shareholders' meeting from among <u>the persons with disposing capacity</u>. 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 competent securities authority.</p>	<p>This Company adopts the candidate nomination system. In practice, directors are elected according to the list of candidates.</p>
<p>Article 18-1: The directors referred to in the preceding Article shall include at least three (3) independent directors.</p>	<p>Article 18-1: The directors referred to in the preceding Article shall include at least three (3) independent directors. <u>A candidates nomination system shall be adopted by the</u></p>	<p>Therefore, the contents of this article have been revised.</p>

	<u>Company for election of independent directors and non-independent directors, who shall be elected from the name list of candidates at a shareholders' meeting.</u>	
<p>Article 20: Functions of the Board of Directors:</p> <ol style="list-style-type: none"> 1. Research and draft the business policy; 2. Review important regulations and contracts; 3. Appoint and dismiss managers; 4. Set up and terminate branches; 5. Review budget and <u>final accounts</u>; 6. Propose the motion for amendments to articles of incorporation, change of capital and dissolution or merger of the Company at a shareholders' meeting; 7. Propose the motion for allocation of earnings or covering of loss at a shareholders' meeting; 8. Exercise the powers granted pursuant to laws, <u>Articles of Incorporation</u> and by a shareholders' meeting. 	<p>Article 20: Functions of the Board of Directors:</p> <ol style="list-style-type: none"> 1. Research and draft the business policy; 2. Review important regulations and contracts; 3. Appoint and dismiss managers; 4. Set up and terminate branches; 5. Review budget and <u>financial reports</u> ; 6. <u>Decide mortgage, sale or disposition of the Company's real estate;</u> 7. Propose the motion for amendments to articles of incorporation, change of capital and dissolution or merger of the Company at a shareholders' meeting; 8. Propose the motion for allocation of earnings or covering of loss at a shareholders' meeting; 9. Exercise the powers granted pursuant to laws, and by a shareholders' meeting. 	<ol style="list-style-type: none"> 1. Mortgage, sale or disposition of the Company's real estate are handled in accordance with "Operating Procedure for Acquisition or Disposition of Assets". 2. Text Correction.
<p>Article 23: Directors' meetings shall be convened by the Chairman, except <u>as otherwise provided for in laws</u>. The convener shall notify each director of the date & place of the meeting as well as the agenda within seven (7) days prior to the meeting. Any director may waive the right to receive the notice in writing after or before the meeting. A directors' meetings may be held within/outside the territories of the R.O.C. A directors' meeting may be convened in writing or by electronic transmission or fax.</p>	<p>Article 23: Directors' meetings shall be convened by the Chairman, except for <u>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</u>. The convener shall notify each director of the date & place of the meeting as well as the agenda within seven (7) days prior to the meeting. Any director may waive the right to receive the notice in writing after or before the meeting. A directors' meetings may be held within/outside the territories of the R.O.C. A directors' meeting may be convened in writing or by electronic transmission or fax.</p>	Text Correction.
<p>Article 24: <u>If a directors' meeting is convened by the Chairman, the meeting shall be chaired by the Chairman.</u> Where the Chairman is absent, the Chairman shall appoint a proxy to act on behalf of him/her.</p>	<p>Article 24: <u>A directors' meeting shall be chaired by the Chairman.</u> Where the Chairman is absent, the Chairman shall appoint a proxy to act on behalf of him/her.</p>	Text Correction.
<p>Article 25: A directors' meeting shall not start, unless it is attended by a majority of directors.</p>	<p>Article 25: A directors' meeting shall not start, unless it is attended by a majority of directors.</p>	Text Correction.

Resolutions at a directors' meeting shall, unless otherwise provided for in <u>laws or the Articles</u> , be adopted by a majority of eligible votes of the directors present.	Resolutions at a directors' meeting shall, unless otherwise provided for in <u>Company Act or other laws</u> , be adopted by a majority of eligible votes of the directors present.	
Article 32: The Company's managerial personnel shall process the Company's routine affairs per the resolution made by a directors' meeting.	Article 32: The Company's managerial personnel shall process the Company's routine affairs per the <u>Chairman's instruction and</u> resolution made by a directors' meeting.	Revised accordingly in compliance with the governance principles.
Article 34: 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, <u>compensation for employees may also be distributed to employees of companies controlled by or affiliated to this Company</u> . 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	Article 34: 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, <u>including the employees of the Company's subsidiaries meeting certain specific requirements entitled to receive shares or cash</u> . 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	1. Revised with respect to the legal amendments. 2. Text Correction.

<p>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.</p>	<p>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.</p>	
<p>Article 38: The Articles of Incorporation was established on May 15, 1965. (following content omitted) 48th amendments hereto were made on June 8, 2016. <u>49th amendments hereto were made on June 12, 2019.</u></p>	<p>Article 38: The Articles of Incorporation was established on May 15, 1965. (following content omitted) 48th amendments hereto were made on June 8, 2016.</p>	<p>Add revision date.</p>

Matters for Ratification and Discussion (I):

Proposal 4

Proposed by the Board

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

Description : 1. Part of the “Parliamentary Rules for Shareholders’ Meetings” is amended in accordance with related laws and orders.

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

Resolution :

USI Corporation

The Major Amendment to the Parliamentary Rules for Shareholders' Meetings

After amendment	Before amendment	Description
<p>Article 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. <u>For a shareholders' meeting convened by the board of directors,</u> the one to be elected as referred to in the preceding paragraph shall be limited to a director.</p>	<p>Article 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.</p>	Text Correction.
<p>Article 15: Resolutions at a shareholders' meeting shall, unless otherwise provided for in Company Act or the Company's Articles of Incorporation, be adopted by a majority of eligible votes of the shareholders who exercise their voting rights by casting ballot on the site and in an electronic form. Shareholders may choose to exercise their voting right in an electronic form or by balloting on the site to resolve the motion referred to in the preceding paragraph. Shareholders who choose to exercise their</p>	<p>Article 15: Resolutions at a shareholders' meeting shall, unless otherwise provided for in Company Act or the Company's Articles of Incorporation, be adopted by a majority of eligible votes of the shareholders who exercise their voting rights by casting ballot on the site and in an electronic form. Shareholders may choose to exercise their voting right in an electronic form or by balloting on the site to resolve the motion referred to in the preceding paragraph. Shareholders who choose to exercise their</p>	Text Correction.

<p>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.</p> <p>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.</p> <p>Unless <u>otherwise provided for by laws</u> or the Articles, each of shares held by each shareholder shall have the right to one (1) vote.</p>	<p>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.</p> <p>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.</p> <p>Unless <u>no voting right or restricted voting right required under laws</u> or the Articles, each of shares held by each shareholder shall have the right to one (1) vote.</p>	
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Matters for Ratification and Discussion (I):

Proposal 5

Proposed by the Board

To approve the amendment to the “Rules for Election of Directors”.

Description : 1. Part of the “Rules for Election of Directors” is amended in accordance with related laws and orders.

2. The amendment to the “Rules for Election of Directors” is shown in the next page.

Resolution :

USI Corporation

The Major Amendment to the Rules for Election of Directors

After amendment	Before amendment	Description
<p>Article 3: Unless otherwise provided in related laws, the Company's directors shall be elected by the shareholders' meeting from <u>the name list of candidates</u>. Quota of the Company's directors shall be based on the quota defined in the Company's Articles of Incorporation and passed by the Board of Directors. The Company's independent and non-independent directors shall be elected at the same time, but in separately calculated numbers. (The following are omitted.)</p>	<p>Article 3: Unless otherwise provided in related laws, the Company's directors shall be elected by the shareholders' meeting from among <u>the persons with disposing capacity</u>. Quota of the Company's directors shall be based on the quota defined in the Company's Articles of Incorporation and passed by the Board of Directors. The Company's independent and non-independent directors shall be elected at the same time, but in separately calculated numbers. (The following are omitted.)</p>	<p>Election of the Company's directors adopt the candidate nomination system, and in practice, directors should be elected on the list of candidates. Therefore, the contents of the provisions are amended.</p>
<p>Article 7: A ballot is invalid under any of the following circumstances at the shareholders' meeting: (I). ~(VII) (omitted)</p> <p>Where the <u>shareholders exercise their votes in an electronic form</u>, the invalid ballots shall be identified pursuant to the Rules and also the related laws promulgated by the competent authority.</p>	<p>Article 7: A ballot is invalid under any of the following circumstances at the shareholders' meeting: (I). ~(VII) (omitted)</p> <p>Where the <u>Company adopts the e-voting system</u>, the invalid ballots shall be identified pursuant to the Rules and also the related laws promulgated by the competent authority.</p>	<p>Text correction.</p>

Matters for Ratification and Discussion (I):

Proposal 6

Proposed by the Board

To approve the amendment to the “Operating Procedure for Acquisition or Disposition of Assets”.

Description : 1. Part of the “Operating Procedure for Acquisition or Disposition of Assets” is amended in accordance with related orders of the Financial Supervisory Commission.

2. The amendment to the “Operating Procedure for Acquisition or Disposition of Assets” is shown in the next page.

Resolution :

USI Corporation

The Amendment to the”Operating Procedure for Acquisition or Disposition of Assets”

After amendment	Before amendment	Description
<p>Article 3: Scope of assets</p> <p>I. (omitted)</p> <p>II. Real property (including land, houses and buildings <u>and</u> investment property) and equipment.</p> <p>III. (omitted)</p> <p>IV. (omitted)</p> <p><u>V. Right-of-use assets</u></p> <p><u>VI. (omitted)</u></p> <p><u>VII.(omitted)</u></p> <p><u>VIII. (omitted)</u></p> <p>Article 4: Definitions:</p> <p>I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts or swap contracts, <u>whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.</u> The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, and long-term purchase (sales) agreements.</p> <p>II. Assets acquired or disposed of through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Assets acquired or disposed of through mergers, demergers, or acquisitions</p>	<p>Article 3: Scope of assets</p> <p>I. (omitted)</p> <p>II. Real property (including land, houses and buildings, investment property and <u>rights to use land</u>) and equipment.</p> <p>III. (omitted)</p> <p>IV. (omitted)</p> <p><u>V. Shift of article number downwards (omitted)</u></p> <p><u>VI. Shift of article number downwards (omitted)</u></p> <p><u>VII. Shift of article number downwards (omitted)</u></p> <p>Article 4: Definitions:</p> <p>I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and <u>compound contracts combining the above products,</u> whose value is derived from <u>assets, interest rates, foreign exchange rates, indexes or other interests.</u> The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, and long-term purchase (sales) agreements.</p> <p>II. Assets acquired or disposed of through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Assets acquired or disposed of through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act or other laws, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter referred to as the “transfer of shares”) under</p>	<p>Text was revised with respect to Letter Jin-Guan-Zheng-F a-Zi No. 1070341072 issued by the Financial Supervisory Commission on November 26, 2018.</p>

<p>conducted under the Business Mergers and Acquisitions Act or other laws, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter referred to as the “transfer of shares”) under Article 156 of 3 of the Company Act.</p> <p>III 、 ~VI 、 (omitted)</p> <p><u>VII 、 Over-the-counter venue (“OTC venue,” “OTC”): “Domestic OTC venue” refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; “foreign OTC venue” refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct a securities business.</u></p> <p><u>VIII 、 (omitted)</u></p> <p><u>IX 、 (omitted)</u></p> <p><u>X 、 (omitted)</u></p> <p>Article 5: Limit of investment in real property for non-operating purpose <u>and its right-of-use assets</u> and marketable securities Limit on said assets acquired by the Company and each subsidiary is set as following: (I) Total investment in real property for non-operating purpose <u>or its right-of-use assets</u> shall be no more than 20% of the Company’s net value, and 100% of net value of the Company’s subsidiary. (No more than 150% of net value of the Company’s investment purpose subsidiary, if any.) (II)~(III) (omitted)</p> <p>Article 6: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters</p>	<p><u>Paragraph 8 of Article 156 of the Company Act.</u></p> <p>III 、 ~VI 、 (omitted)</p> <p><u>VII 、 _____ Shift of article number downwards (omitted)</u></p> <p><u>VIII 、 Shift of article number downwards (omitted)</u></p> <p><u>IX 、 Shift of article number downwards (omitted)</u></p> <p>Article 5: Limit of investment in real property for non-operating purpose and marketable securities Limit on said assets acquired by the Company and each subsidiary is set as following: (I) Total investment in real property for non-operating purpose shall be no more than 20% of the Company’s net value, and 100% of net value of the Company’s subsidiary. (No more than 150% of net value of the Company’s investment purpose subsidiary, if any.) (II)~(III) (omitted)</p> <p>Article 6: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters</p>	
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<p>that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions <u>shall comply with the following requirements:</u></p> <p><u>I. May not have previously received a final and non-appealable sentence of imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents or occupational crime. However, this provision does not apply if three years have already passed since the completion of service of the sentence, since the expiration of the period of a suspended sentence or since a pardon has been received.</u></p> <p><u>II. May not be a related party or <i>de facto</i> related party of any party to the transaction.</u></p> <p><u>III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or <i>de facto</i> related parties of each other.</u></p> <p><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <p><u>I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience and independence.</u></p> <p><u>II. When examining a case, they shall appropriately plan and execute the adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for</u></p>	<p>that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions <u>shall not be a stakeholder of any party to the transaction.</u></p>	
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<p>issuing the report or opinion. <u>The related working procedures, data collected and conclusion shall be fully and accurately specified in the case working papers.</u></p> <p><u>III. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy and fairness of the sources of data used, the parameters and the information, as the basis for issuance of the appraisal report or the opinion.</u></p> <p><u>IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with the applicable laws and regulations.</u></p> <p>Article 8: Operating Procedure for Acquisition or Disposition of Real Property <u>· Equipment or its right-of-use assets</u></p> <p>I. Evaluating and operating procedure The Company's acquisition or disposition of real estate and equipment <u>or its right-of-use assets</u> shall follow the real estate, plant and equipment circulation procedure under the Company's internal control system.</p> <p>II. Procedure for determining trading terms and authorized limit</p> <p>(I) Acquisition or disposition of real estate <u>or its right-of-use assets</u> shall take into consideration announced current value, appraised value, and trading value of neighboring real estate. An analysis report shall be submitted to the Chairman of Board after trading terms and trading value are decided. In the case of value less than NT\$500 million (inclusive),</p>	<p>Article 8: Operating Procedure for Acquisition or Disposition of Real Property <u>or Equipment</u></p> <p>I. Evaluating and operating procedure The Company's acquisition or disposition of real estate and equipment shall follow the real estate, plant and equipment circulation procedure under the Company's internal control system.</p> <p>II. Procedure for determining trading terms and authorized limit</p> <p>(I) Acquisition or disposition of real estate shall take into consideration announced current value, appraised value, and trading value of neighboring real estate. An analysis report shall be submitted to the Chairman of Board after trading terms and trading value are decided. In the case of value less than NT\$500 million (inclusive), the acquisition or disposition shall be subject to approval by the Chairman of Board for approval</p>	
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<p>the acquisition or disposition shall be subject to approval by the Chairman of Board for approval and reported at the latest Board of Directors' meeting. In the case of value more than NT\$500 million, the acquisition or disposition shall be subject to approval of the Board of Directors upon resolution in advance.</p> <p>(II) Acquisition or disposition of equipment <u>or its right-of-use assets</u> shall be carried out in the form of price inquiry, price comparison, price negotiation or tender invitation. Acquisition or disposition of equipment valuing less than NT\$500 million (inclusive) shall be subject to approval by level of authority pursuant to authorization rules. Acquisition or disposition of equipment more than NT\$500 million shall be subject to approval by the Chairman of Board, and by the Board of Directors upon resolution in advance.</p> <p>III. Execution unit The Company's acquisition or disposition of real estate or equipment <u>or its right-of-use assets</u> shall be subject to approval by the level of authority referred to in the preceding paragraph, and completed by the requesting department and responsible unit.</p> <p>IV. Real estate or equipment appraisal report In acquiring or disposing of real property \ equipment <u>or its right-of-use assets</u> where the trading value reaches 20 percent of the Company's paid-in capital or NT\$300 million or more (the trading value shall be calculated in the manner referred to in Paragraph 1 (5) of Article 15 herein. "Within the preceding</p>	<p>and reported at the latest Board of Directors' meeting. In the case of value more than NT\$500 million, the acquisition or disposition shall be subject to approval of the Board of Directors upon resolution in advance.</p> <p>(II) Acquisition or disposition of equipment shall be carried out in the form of price inquiry, price comparison, price negotiation or tender invitation. Acquisition or disposition of equipment valuing less than NT\$500 million (inclusive) shall be subject to approval by level of authority pursuant to authorization rules. Acquisition or disposition of equipment more than NT\$500 million shall be subject to approval by the Chairman of Board, and by the Board of Directors upon resolution in advance.</p> <p>III. Execution unit The Company's acquisition or disposition of real estate or equipment shall be subject to approval by the level of authority referred to in the preceding paragraph, and completed by the requesting department and responsible unit.</p> <p>IV. Real estate or equipment appraisal report In acquiring or disposing of real property or equipment where the trading value reaches 20 percent of the Company's paid-in capital or NT\$300 million or more (the trading value shall be calculated in the manner referred to in Paragraph 1 (5) of Article 15 herein. "Within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a</p>	
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<p>year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the trading value), the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or its right-of-use assets</u> for operating purpose, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser (the items to be noted in the appraisal report are identified in the appraisal report) and shall further comply with the following provisions: (I)~(IV)(omitted)</p> <p>Article 9: Operating Procedure for Acquisition or Disposition of Investment in Marketable Securities I.(omitted) II. Procedure for determining trading terms and authorized limit (I) (omitted) (II) In acquiring or disposing of marketable securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the object company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the trading value, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more (the trading value shall be calculated in the manner referred to in Paragraph 1 (7) of Article 15 herein. “Within the preceding year”</p>	<p>professional appraiser or a CPA's opinion has been obtained need not be counted toward the trading value), the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for operating purpose, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser (the items to be noted in the appraisal report are identified in the appraisal report) and shall further comply with the following provisions: (I)~(IV)(omitted)</p> <p>Article 9: Operating Procedure for Acquisition or Disposition of Investment in Marketable Securities I.(omitted) II. Procedure for determining trading terms and authorized limit (I) (omitted) (II) In acquiring or disposing of marketable securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the object company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the trading value, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more (the trading value shall be calculated in the manner referred to in Paragraph 1 (5) of Article 15 herein. “Within the preceding year”</p>	<p>Text revision</p>
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<p>as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the trading value), the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the trading value. If the CPA needs to adopt an expert's report as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. Notwithstanding, this requirement does not apply to public quotation of the marketable securities in an active market, or not apply where otherwise prescribed by the competent securities authority. (the rest omitted)</p> <p>III.(omitted)</p> <p>Article 10:Operating procedure for dealing with transactions with stakeholders</p> <p>I. (omitted)</p> <p>II. Evaluating and operating procedure When the Company intends to acquire or dispose of real property <u>or its right-of-use assets</u> from or to a stakeholder, or when it intends to acquire or dispose of assets other than real property <u>or its right-of-use assets</u> from or to a stakeholder and the trading value reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more (the trading value shall be calculated in the manner referred to in Paragraph 1 (7) of Article 15 herein. "Within the preceding year" as used herein refers to the year preceding the date of occurrence of</p>	<p>as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the trading value), the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the trading value. If the CPA needs to adopt an expert's report as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. Notwithstanding, this requirement does not apply to public quotation of the marketable securities in an active market, or not apply where otherwise prescribed by the competent securities authority. (the rest omitted)</p> <p>III.(omitted)</p> <p>Article 10:Operating procedure for dealing with transactions with stakeholders</p> <p>I. (omitted)</p> <p>II. Evaluating and operating procedure When the Company intends to acquire or dispose of real property from or to a stakeholder, or when it intends to acquire or dispose of assets other than real property from or to a stakeholder and the trading value reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more (the trading value shall be calculated in the manner referred to in Paragraph 1 (5) of Article 15 herein. "Within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been</p>	
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<p>the current transaction. Items that have been approved by Audit Committee and passed by the Board of Directors need not be counted toward the trading value), except in trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the majority of Audit Committee and passed by the board of directors :</p> <p>(I)~(II)(omitted)</p> <p>(III) With respect to the acquisition of real property <u>or its right-of-use assets</u> from a stakeholder, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 3 herein.</p> <p>(IV)~(VII)(omitted)</p> <p>III. Evaluation on reasonableness of transaction costs</p> <p>(I) Acquiring real property <u>or its right-of-use assets</u> from a stakeholder, the Company shall evaluate the reasonableness of the transaction costs in the following manners:</p> <p>1.~2.(omitted)</p> <p>(II) Where land and structures thereupon are combined as a single property purchased <u>or leased</u> in one (1) transaction, the transaction costs for the land and the structures may be separately appraised in any of the manners referred to in the preceding paragraph.</p> <p>(III) When acquiring real property <u>or its right-of-use assets</u> from a stakeholder and appraising the cost of the real property <u>or its</u></p>	<p>approved by Audit Committee and passed by the Board of Directors need not be counted toward the trading value), except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the majority of Audit Committee and passed by the board of directors :</p> <p>(I)~(II)(omitted)</p> <p>(III) With respect to the acquisition of real property from a stakeholder, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 3 herein.</p> <p>(IV)~(VII)(omitted)</p> <p>III. Evaluation on reasonableness of transaction costs</p> <p>(I) Acquiring real property from a stakeholder, the Company shall evaluate the reasonableness of the transaction costs in the following manners:</p> <p>1.~2.(omitted)</p> <p>(II) Where land and structures thereupon are combined as a single property purchased in one (1) transaction, the transaction costs for the land and the structures may be separately appraised in any of the manners referred to in the preceding paragraph.</p> <p>(III) When acquiring real property from a stakeholder and appraising the cost of the real property in accordance with Subparagraph (I) and Subparagraph (II) shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>(IV) (omitted)</p>	
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<p><u>right-of-use assets</u> in accordance with Subparagraph (I) and Subparagraph (II) shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>(IV) (omitted)</p> <p>1.(omitted)</p> <p>(1) (omitted)</p> <p>(2) Completed transactions by any persons other than stakeholders within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price <u>or lease</u> discrepancies in floor or area land prices in accordance with standard property market practices.</p> <p>(3) (deleted)</p> <p>2.Where the Company provides evidence that the terms of the transaction for acquisition of real estate <u>or the right-of-use assets acquired by lease</u> from a stakeholder are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by any persons other than stakeholders within the preceding year. The completed transactions for neighboring or closely valued parcels of land referred to in the preceding paragraph in principle refer to the parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value. The transaction for similarly sized parcels in principle refers to the transaction completed by any persons other than stakeholders for parcels with a land area of no less than 50 percent of the property in the planned transaction. The “within the preceding year” refers to the year preceding the date of occurrence of the acquisition of the real property <u>or the right-of-use assets</u>.</p>	<p>1.(omitted)</p> <p>(1) (omitted)</p> <p>(2) Completed transactions by any persons other than stakeholders within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</p> <p>(3) <u>Completed leasing transactions by any persons other than stakeholders for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.</u></p> <p>2.Where the Company provides evidence that the terms of the transaction for acquisition of real estate from a stakeholder are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by any persons other than stakeholders within the preceding year. The completed transactions for neighboring or closely valued parcels of land referred to in the preceding paragraph in principle refer to the parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value. The transaction for similarly sized parcels in principle refers to the transaction completed by any persons other than stakeholders for parcels with a land area of no less than 50 percent of the property in the planned transaction. The “within the preceding year” refers to the year preceding the date of occurrence of the acquisition of the real property.</p> <p>(V) When the results of the Company’s</p>	<p>o</p>
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<p>(V) When the results of the Company's appraisal conducted in accordance with Subparagraph (I) and Subparagraph (II) are uniformly lower than the trading value, the following requirements shall apply.</p> <p>1. A special reserve shall be set aside in accordance with Paragraph 1 of Article 41 of the Act against the difference between the real property <u>or the right-of-use assets</u> trading value and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares.</p> <p>2.~3.(omitted)</p> <p>Where the Company has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value <u>or termination of lease</u> of the assets it purchased <u>or lease</u> at a premium; or they have been disposed of; or adequate compensation has been made; or the status quo ante has been restored; or there is other evidence confirming that there was nothing unreasonable about the transaction, and the competent securities authority has given its consent.</p> <p>(VI) Where the Company acquires real property <u>or the right-of-use assets</u> from a stakeholder and one of the following circumstances exists, the acquisition shall be conducted in accordance with the evaluation and operating procedure referred to in Paragraph 2 of this Article, while the evaluation on reasonableness of transaction costs requirements referred to in Subparagraphs (I), (II) and (III) of this paragraph shall not apply:</p> <p>1. The stakeholder acquired the real property <u>or the right-of-use assets</u> through inheritance or as a gift.</p> <p>2. More than five (5) years will have elapsed from the time the stakeholder signs the contract to obtain the real</p>	<p>appraisal conducted in accordance with Subparagraph (I) and Subparagraph (II) are uniformly lower than the trading value, the following requirements shall apply.</p> <p>1. A special reserve shall be set aside in accordance with Paragraph 1 of Article 41 of the Act against the difference between the real property trading value and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares.</p> <p>2.~3.(omitted)</p> <p>Where the Company has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium; or they have been disposed of; or adequate compensation has been made; or the status quo ante has been restored; or there is other evidence confirming that there was nothing unreasonable about the transaction, and the competent securities authority has given its consent.</p> <p>(VI) Where the Company acquires real property from a stakeholder and one of the following circumstances exists, the acquisition shall be conducted in accordance with the evaluation and operating procedure referred to in Paragraph 2 of this Article, while the evaluation on reasonableness of transaction costs requirements referred to in Subparagraphs (I), (II) and (III) of this paragraph shall not apply:</p> <p>1. The stakeholder acquired the real property through inheritance or as a gift.</p> <p>2. More than five (5) years will have elapsed from the time the stakeholder signs the contract to obtain the real property to the signing date for the current transaction.</p> <p>3.(omitted)</p> <p>(VII)When the Company obtains real property from a stakeholder, it shall also</p>	
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<p>property or the right-of-use assets to the signing date for the current transaction. 3.(omitted) 4. <u>The rights-of-use of the real property for business use are acquired by and between this Company and the parent company, between subsidiaries, or between this Company and a subsidiary wholly owned, either directly or indirectly, by this Company.</u> (VII)When the Company obtains real property or the right-of-use assets from a stakeholder, it shall also comply with the Subparagraph (V) if there is other evidence indicating that the acquisition is not an arm’s length transaction. IV Acquisition or disposition of equipment valuing less than NT\$500 million (inclusive) between this Company and <u>the parent company, between subsidiaries, or between this Company and a subsidiary wholly owned, either directly or indirectly, by this Company</u> shall be decided by the Chairman of Board, and then submitted to the latest Board of Directors’ meeting for recognition. Acquisition or disposition of equipment more than NT\$500 million shall be subject to approval by the Board of Directors upon resolution at first. (I) <u>Acquisition or disposal of equipment or its right-of-use assets for business operations.</u> (II) <u>Acquisition or disposal of real property right-of-use assets for business operations.</u></p> <p>Article 11:Operating Procedure for Acquisition or Disposition of Intangible Assets <u>or the right-of-use assets or Memberships</u> I.Evaluating and operating procedure The Company’s acquisition or disposition of Intangible Assets <u>or the right-of-use assets or Memberships</u> shall follow the real estate, plant and equipment circulation procedure under</p>	<p>comply with the Subparagraph (V) if there is other evidence indicating that the acquisition is not an arm’s length transaction. IV.Acquisition or disposition of equipment valuing less than NT\$500 million (inclusive) between the Company and any of its subsidiaries shall be decided by the Chairman of Board, and then submitted to the latest Board of Directors’ meeting for recognition. Acquisition or disposition of equipment more than NT\$500 million shall be subject to approval by the Board of Directors upon resolution at first.</p> <p>Article 11:Operating Procedure for Acquisition or Disposition of Memberships or Intangible Assets I.Evaluating and operating procedure The Company’s acquisition or disposition of memberships or intangible assets shall follow the real estate, plant and equipment circulation procedure under the Company’s internal control system.</p>	
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<p>the Company's internal control system.</p> <p>II. (omitted)</p> <p>III. Execution unit The Company's acquisition or disposition of Intangible Assets <u>or the right-of-use assets</u> or Memberships shall be subject to approval by the level of authority referred to in the preceding paragraph, and completed by the requesting department or administrative department.</p> <p>IV. Expert's Evaluation Report on Intangible Assets <u>or the right-of-use assets</u> or Memberships Where the Company acquires or disposes of Intangible Assets <u>or the right-of-use assets</u> or Memberships and the trading value reaches 20 percent or more of paid-in capital or NT\$300 million or more (the trading value shall be calculated in the manner referred to in Paragraph 1 (7) of Article 15 herein. "Within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a CPA's opinion has been obtained need not be counted toward the trading value), except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the trading value, and the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>II. (omitted)</p> <p>III. Execution unit The Company's acquisition or disposition of memberships or intangible assets shall be subject to approval by the level of authority referred to in the preceding paragraph, and completed by the requesting department or administrative department.</p> <p>IV. Expert's Evaluation Report on Memberships or Intangible Assets Where the Company acquires or disposes of memberships or intangible assets and the trading value reaches 20 percent or more of paid-in capital or NT\$300 million or more (the trading value shall be calculated in the manner referred to in Paragraph 1 (5) of Article 15 herein. "Within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a CPA's opinion has been obtained need not be counted toward the trading value), except in transactions with a government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the trading value, and the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	
<p>Article 15: Procedure for information disclosure</p> <p>I. Standards for matter to be publicly announced and reported (I) Acquisition or disposal of real property <u>or the right-of-use assets</u> from or to a stakeholder, or acquisition or disposition of assets other than real property <u>or the right-of-use assets</u> from or to a stakeholder where the trading</p>	<p>Article 15: Procedure for information disclosure</p> <p>I. Standards for matter to be publicly announced and reported (I) Acquisition or disposal of real property from or to a stakeholder, or acquisition or disposition of assets other than real property from or to a stakeholder where the trading value reaches 20 percent or more of the</p>	

<p>value reaches 20 percent or more of the Company's paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more. If provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. (II)~(III) (omitted)</p> <p>(IV) Where the type of asset acquired or disposed of is <u>equipment or the right-of-use assets</u> for operating purpose, the trading counterpart is not a stakeholder, and the trading value meets any of the following criteria: 1.~2.(omitted)</p> <p>(V) Where land is acquired <u>from non-stakeholders</u> under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale , and the amount the Company expects to invest in the transaction reaches NT\$500 million.</p> <p>(VI) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, an investment in the mainland China area reaches 20 percent or more than of the Company's paid-in capital, or NT\$300 million; provided, this shall not apply to the following circumstances: 1. Trading of domestic government bonds. 2. (omitted)</p> <p>(VII)The amount of transactions above shall be calculated as follows: 1.~2.(omitted) 3. The cumulative transaction amount of real property <u>or the right-of-use assets</u> acquisitions and dispositions (cumulative acquisitions and</p>	<p>Company's paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more. If provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. (II)~(III) (omitted)</p> <p>(IV) Where the type of asset acquired or disposed of is equipment for operating purpose, the trading counterpart is not a stakeholder, and the trading value meets any of the following criteria: 1.~2.(omitted)</p> <p>(V) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction reaches NT\$500 million.</p> <p>(VI) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, an investment in the mainland China area reaches 20 percent or more than of the Company's paid-in capital, or NT\$300 million; provided, this shall not apply to the following circumstances: 1. Trading of government bonds. 2. (omitted)</p> <p>(VII)The amount of transactions above shall be calculated as follows: 1.~2.(omitted) 3. The cumulative transaction amount of real property acquisitions and dispositions (cumulative acquisitions and dispositions, respectively) within the same development project within the preceding year. 4.(omitted)</p> <p>(VIII) (omitted)</p>	
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<p>dispositions, respectively) within the same development project within the preceding year.</p> <p>4.(omitted) (VIII) (omitted)</p> <p>II. (omitted) III. (omitted)</p> <p>Article 16: The Company’s subsidiaries shall comply with the following requirements:</p> <p>I.~II.(omitted) III. The paid-in capital or total asset <u>requirements</u> in the disclosure and reporting criteria of subsidiaries shall be subject to the paid-in capital or total assets of this Company.</p>	<p>II. (omitted) III. (omitted)</p> <p>Article 16: The Company’s subsidiaries shall comply with the following requirements:</p> <p>I.~II.(omitted) III. The paid-in capital or total assets <u>of the Company shall be the standard for determining whether or not a subsidiary requires a public announcement and regulatory filing in the event the type of transaction specified therein “reaches 20 percent of paid-in capital or 10 percent of the total assets”.</u></p>	
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Matters for Ratification and Discussion (I):

Proposal 7

Proposed by the Board

To approve the permission of director for competitive actions.

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

2. Mr. Ying-Jun Hai, an independent director of the Company, also serves as a director of Cyntec Co., Ltd. Without harming the interest of the Company, it is proposed to allow their act in accordance with the Company Act.

Resolution:

III.Elections

Proposed by the Board

By-election of one independent director.

Description : 1. Independent Director Mr. Li-Xing Cai resigned on March 19, 2019. Proposal to re-elect an independent director in accordance with the Articles of Incorporation.

2. The candidate nomination system shall apply. AGM shall elect one independent director from the candidate list. Please refer to the table in the next page for the name, education, and experience of candidate.

3. New independent director will take up their office immediately after the election for a term to June 7, 2020.

Results :

USI Corporation

List of Candidate for Directorial Election

No.	1
A/C No.	—
Name	Tyzz-Jiun Duh
Citizen ID No.	T12036XXXX
Major Education/Experience	<ol style="list-style-type: none"> 1. Ph.D Graduate Institute of Forestry, National Taiwan University 2. Director General, Department of Commerce, Ministry of Economic Affairs 3. Director General, Department of Industrial Technology, Ministry of Economic Affairs 4. Director General, Industrial Development Bureau, Ministry of Economic Affairs 5. Minister, Ministry of Economic Affairs 6. Minister, National Development Council 7. Vice Premier, Executive Yuan
Current Position and Employer	<ol style="list-style-type: none"> 1. Policy Advisor, Taiwan Electrical and Electronic Manufacturers' Association 2. Chief Consultant, Taiwan Transportation Vehicle Manufacturers' Association 3. Independent Director, CDIBC Capital Group 4. Part-time Associate Professor, Department of Business

IV.Matters for Discussion (II)

Proposed by the Board

To approve the permission of new independent director for competitive action.

Description : 1. While new independent director may engage in or operate a business similar to or within the scope of the Company's business, subject to no harm to the interests of the Company, it is proposed to allow such acts in accordance with Article 209 of the Company Act.

2. The competitive action in which new independent director engage is shown in the next page.

3. Please vote.

Resolution :

USI Corporation

Director's Engagment in Competitive Business Table

On the day of being elected, new independent director of this Company engage in the following business items that are within the scope of business of this Company :

Tyzz-Jiun Duh (Independent director)

CDIBC Capital Group	Independent director
Macronix International Co., Ltd.	
China Development Financial Holding Corp.	

V. Extemporaneous Motions

VI. Meeting Adjournment

Appendix 1

Parliamentary Rules for Shareholders' Meetings of USI Corporation (before amendment)

Amended on June 6, 2014

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.

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 USI Corporation

Section 1. General Provisions (before amendment)

- Article 1: The Company is incorporated under the Company Act of the Republic of China and named “台灣聚合化學品股份有限公司” and “USI Corporation” in English.
- Article 2: The scope of the Company’s business is specified as follows:
1. Manufacturing, processing and sale of PE plastic raw materials (including ethylene-vinyl acetate copolymer resins).
 2. Manufacturing, processing and sale of PE plastic products (including products of ethylene-vinyl acetate copolymer).
 3. Manufacturing, processing and sale of catalyst and related chemicals required by the plastic industry.
 4. R&D of technology related to the plastic industry, and acquisition, sale and license of know-how and patent right thereof.
 5. Design, manufacturing, processing and sale of plastic processing equipment.
 6. General import/export businesses (other than those requiring special approval).
 7. ZZ99999 Other than business requiring special approval, any business not prohibited or restricted by laws or regulations.
- Article 3: The Company’s head office is situated in Kaohsiung City, Taiwan, the R.O.C., and, when necessary, may set up branches locally or overseas considered by the Company as necessary or 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. Capital

Article 5: The total capital stock of the Company shall be in the amount of NT\$13,426,023,650, divided into 1,342,602,365 shares, at a par value of NT\$10 per share, and may be issued in installments.

Article 6: The Company's share certificates shall be affixed with the signatures or personal seals of three or more directors of the Company, be assigned with serial numbers, indicate particulars referred to in Article 162 of the Company Act, and be issued upon the competent authority's approval of the registration of incorporation and certification pursuant to the Company Act. 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 7: The share certificates of the Company shall be registered and state each shareholder's real name. Where there are two (2) persons or more that own the same share or shares, such co-owners shall select one of them to act on behalf of them.

Article 8: Where it is necessary for the Company to re-issue new share certificates upon transfer of ownership or loss of or damage to the share certificates, the Company may collect sufficient printing costs or adequate stamp duty expenses.

Article 9: 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 10: The Company's shareholders' meetings consist of the following:

3. General shareholders' meeting
4. Special shareholders' meeting

The general shareholder's meeting shall be convened by the Board of Directors once a year and within six (6) months after close of

each fiscal year pursuant to laws. In the case of important motions to be resolved, a special shareholders' meeting may be convened by the Board of Directors upon resolution of the Board, or upon written request by shareholder(s) who has/have been continuously holding 3% or more of the total number of the issued shares of the Company over one (1) year. The general shareholders' meeting and special shareholders' meeting may be held within/outside the territories of the R.O.C.

Article 11: Convening of a general shareholders' meeting shall be notified thirty (30) days ago, and convening of a special shareholders' meeting to be notified fifteen (15) days ago. The causes of meeting shall be indicated in the notice pursuant to the Company Act or other laws.

Article 12: 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. 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 13: When the number of shareholders present does not constitute the quorum prescribed in the preceding article, but those present represent one-thirds or more of the total number of issued shares, a tentative resolution may be passed by a majority of those present. A notice of such tentative resolution shall be given to each of the shareholders, and a shareholders' meeting shall be reconvened within one (1) month. In said shareholders' meeting, if the tentative resolution is again adopted by a majority of those present who represent one-thirds or more of the total number of issued shares, such tentative resolution shall be deemed to be a resolution under the preceding Article, unless otherwise provided in the Company

Act.

- Article 14: 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.
- Article 15: Where any shareholder fails to attend a shareholders' meeting, he/she may appoint a proxy to attend the meeting on behalf of him/her pursuant to the Company Act and exercise power on behalf of him/her. The proxy is not limited to the Company's shareholder.
- Article 16: Unless otherwise provided in the Company Act, a shareholders' meeting shall be chaired by the Company's Chairman of Board. Where the Chairman is absent, the Chairman shall appoint a proxy to act on behalf of him/her pursuant to Article 208 of the Company Act.
- Article 17: Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairperson of the meeting and shall be, together with the shareholders' attendance book and proxy letter, if any, retained at the Company.

Section 4. Directors and Audit Committee

- Article 18: The Company shall have 9~11 directors who shall be elected by the shareholders' meeting from among the persons with disposing capacity. 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 competent securities authority.
- Article 18-1: 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 18-2: 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 18-3: 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 19: Directors shall hold the position for three (3) years and may be re-electable.

Article 19-1: 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.

Article 20: Functions of the Board of Directors:

7. Research and draft the business policy;
8. Review important regulations and contracts;
9. Appoint and dismiss managers;
10. Set up and terminate branches;
11. Review budget and financial reports;
12. Decide mortgage, sale or disposition of the Company's real estate;
13. Propose the motion for amendments to articles of incorporation, change of capital and dissolution or merger of the Company at a shareholders' meeting;
14. Propose the motion for allocation of earnings or covering of loss at a shareholders' meeting;
15. Exercise the powers granted pursuant to laws and by a shareholders' meeting.

- Article 21: The Chairman of the Board shall be elected among the directors present at a directors' meeting by a majority vote of the directors present the meeting attended by two-thirds or more of the directors.
- Article 22: The Chairman has the power to act on behalf of the Company and control the Company's important business with power, whose power is only restricted by laws, articles of incorporation, and resolution made by a shareholders' meeting or directors' meeting.
- Article 23: 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 date & place of the meeting as well as the agenda within seven (7) days prior to the meeting. Any director may waive the right to receive the notice in writing after or before the meeting. A directors' meetings may be held within/outside the territories of the R.O.C.
A directors' meeting may be convened in writing or by electronic transmission or fax.
- Article 24: A directors' meeting shall be chaired by the Chairman. Where the Chairman is absent, the Chairman shall appoint a proxy to act on behalf of him/her.
- Article 25: A directors' meeting shall not start, unless it is attended by a majority of directors. Resolutions at a directors' meeting shall, unless otherwise provided for in Company Act or other laws, be adopted by a majority of eligible votes of the directors present.
- Article 26: A director may authorize another director in writing to attend the directors' meeting on behalf of him/her and exercise the voting right 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.
- Article 27: Directors shall exercise their powers per the resolution adopted by a directors' meeting.

Article 28: (Deleted)

Article 29: (Deleted)

Article 30: 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. Personnel

Article 31: Job title, appointment, discharge and remuneration of the Company's managerial personnel, if any, shall be decided by a majority of the directors present at a meeting attended by a majority of the whole directors.

Article 32: 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 32-1: 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. Financial Report

Article 33: 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.

Article 34: 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 35: The Company's total investment in other companies may be exempted from the restriction for no more than 40% of the paid-in capital prescribed by the Company Act.

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.

Section 7. Bylaw

Article 36: The Company's articles of association and enforcement rules thereof shall be established separately.

Article 37: Any matters not covered herein shall be implemented in accordance with the Company Act and related laws of the R.O.C.

Article 38: The Articles of Incorporation was established on May 15, 1965. (following content omitted) 48th 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 USI Corporation

Amended on March 8, 2019

- 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. 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: Except as otherwise provided by the acts, 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. If there is an objection following an inquiry by the chairperson, One voting method for proposals at a board meeting shall be selected by the chairperson from the methods listed below:

1. A show of hands.
2. A vote by ballot.

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 overruled 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 Paragraphs 1 and 2 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.

Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.

The provisions of Paragraph 2 of Article 180 of the Company Act, as applied mutatis mutandis under Paragraph 4 of Article 206 of the Company Act, apply to resolutions of a directors’ meetings when a board director is prohibited by the preceding two paragraphs 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 and 2 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 and 2 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. 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 enforced upon approval by the Board of Directors. 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 4

USI Corporation

Rules for Election of Directors of (before amendment)

Amended on June 8, 2017

- Article 1: The Company's directors shall be elected in accordance with the Rules.
- Article 2: The election of the Company's directors shall adopt an open cumulative voting system. In the process of electing directors at a shareholders' meeting, attendance card numbers printed on the ballots may replace the names of voting shareholder. Election of the Company's independent directors and non-independent directors shall adopt the candidate nomination system referred to in Article 192-1 of the Company Act. The Board of Directors shall prepare ballots to be cast at the shareholders' meeting. The ballots shall be affixed with the Company's official seal, as well as the voters' attendance card number and number of vote.
- Where election of the Company's directors adopts the e-voting system pursuant to laws, shareholders may choose to exercise their voting right in electronic form or by balloting on the site.
- Shareholders who choose to exercise their voting right in an electronic form shall exercise the right on the e-voting platform designated by the Company.
- Article 3: Unless otherwise provided in related laws, the Company's directors shall be elected by the shareholders' meeting from among the persons with disposing capacity. Quota of the Company's directors shall be based on the quota defined in the Company's Articles of Incorporation and passed by the Board of Directors. The Company's independent and non-independent directors shall be elected at the same time, but in separately calculated numbers. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elected. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.

The votes referred to in Paragraph 1 shall be calculated based on the votes cast at the shareholders' meeting plus e-votes.

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 verify the shareholders' identity and votes and certify the statistics of votes prior to the shareholders' meeting.

Article 4: The chairperson shall designate several monitoring and counting personnel prior to the election to perform their duty.

Article 5: The task of the monitoring personnel is as follows:

- (I) The ballot box inspected by the monitoring personnel openly before the voting.
- (II) Picket the order and monitoring whether there is any negligence or illegality in voting.
- (III) After the vote is over, check the number of ballots.
- (IV) Check the ballots for invalid ballots, and hand over the number of valid ballots.
- (V) Monitoring the number of voting rights for each candidate that the counting personnel record.

Article 6: The voters shall complete the relevant information based on the name list of candidates identified in the shareholders' meeting handbook. Each ballot may enter only one candidate. If /When the candidate is a shareholder, please enter his/her account number and account name; otherwise, please enter the candidate's name and ID No. When the candidate is a governmental organization or juristic person, the name of the governmental organization or juristic person shall be entered or both the name of the governmental organization or juristic person and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered. Shareholders may enter their seals to replace completion of the information about candidates referred to in the preceding paragraph.

Article 7: A ballot is invalid under any of the following circumstances at the shareholders' meeting:

- (I). The ballot adopted is not that prepared pursuant to the Rules.
- (II). The candidate identified is not a candidate who is nominated, or the quota of candidates exceed the number of candidates to be elected..
- (III). Other words or marks are entered in addition to the

information completed pursuant to the preceding Article and the number of voting rights allotted.

(IV). The writing is unclear and indecipherable.

(V). The check shows that the information completed pursuant to the preceding Article is inconsistent with the information related to the nominated candidate.

(VI). Names and related information of the candidates, or the number of voting rights allotted is altered.

(VII). Total of voting rights allotted exceed the number of votes held by voters.

Where the Company adopts the e-voting system, the invalid ballots shall be identified pursuant to the Rules and also the related laws promulgated by the competent authority.

Article 8: The ballot box and lot-drawing box at the shareholders' meeting shall be prepared by the Company and inspected by the monitoring personnel openly before the voting or lot drawing.

Article 9: After the ballots are all in the ballot box, the monitoring and counting personnel will open the ballot box together.

Article 10: The number of ballots counted and recorded is monitored by the monitoring personnel.

Article 11: When there is any doubt about the ballots, the monitoring personnel is asked to check whether it is invalid. The invalid ticket should be placed separately.

Article 12: The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, shall be announced by the chairperson on the site.

Article 13: The Company shall issue notifications to the persons elected as directors.

Article 14: 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 at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 15: Any matters not covered herein shall be implemented in accordance with the Company Act, the Company's Articles of Incorporation, and other related laws.

Article 16: The Rules shall be enforced upon approval by a shareholders'

meeting. The same shall apply where the Rules are amended.

Article 17: In the event of any matters not covered herein, the Chinese version shall apply.

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

Appendix 5

USI Corporation Operating Procedure for Acquisition or Disposition of Assets(before amendment)

Amended on June 8, 2017

- Article 1: Purpose
The Operating Procedure is established in order to protect assets and fulfill the information disclosure.
- Article 2: Legal basis
The Operating Procedure is adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act (hereinafter referred to as “the Act”) and “Regulations Governing the Acquisition and Disposition of Assets by Public Companies”.
- Article 3: Scope of assets
- I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call (put) warrants, beneficial interest securities, and asset-backed securities, et al.
 - II. Real property (including land, houses and buildings, investment property and rights to use land) and equipment.
 - III. Memberships.
 - IV. Such intangible assets as patents, copyrights, trademarks, and franchise rights.
 - V. Derivatives.
 - VI. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
 - VII. Other substantial assets.
- Article 4: Definitions:
- I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term “forward contracts” does not include insurance contracts, performance contracts,

- after-sales service contracts, long-term leasing contracts, and long-term purchase (sales) agreements.
- II. Assets acquired or disposed of through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Assets acquired or disposed of through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act or other laws, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter referred to as the “transfer of shares”) under Paragraph 8 of Article 156 of the Company Act.
 - III. Stakeholder or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
 - IV. Professional appraiser: A real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
 - V. Date of occurrence: Contracting date, date of payment, date of consignment trade, date of transfer, dates of boards of directors’ resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
 - VI. Mainland China area investment: Investments in Mainland China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in Mainland China.
 - VII. The “latest financial statements” referred to herein shall mean the financial statements certified or audited by an external independent auditor as disclosed by the company in the most recent period before acquisition or disposition of assets.
 - VIII. For the calculation of 10 percent of total assets herein, the total assets stated in the latest individual or separate financial statements prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be

used.

- IX. In the case of a company whose shares have no par value or a par value other than NT\$10, trading values of 20 percent of paid-in capital shall be substituted by 10 percent of equity attributable to owners of the parent.

Article 5: Limit of investment in real property for non-operating purpose and marketable securities

Limit on said assets acquired by the Company and each subsidiary is set as following:

- (I) Total investment in real property for non-operating purpose shall be no more than 20% of the Company's net value, and 100% of net value of the Company's subsidiary. (No more than 150% of net value of the Company's investment purpose subsidiary, if any.)
- (II) Total investment in marketable securities shall be no more than 200% of the Company's net value, and investment in production and sale of any products other than petrochemical products no more than 100% of the Company's net value. Total investment by a subsidiary shall be no more than 150% of the Company's net value, including investments in production and the sale of any products other than petrochemical products for no more than 100% of the Company's net value. (No more than 150% of the Company's net value, in the case of investment purpose subsidiary.)
- (III) Total investment in individual securities of a subsidiary in which the Company holds more than 50% (inclusive) of its shares shall be no more than 150% of the Company's net value, while total investment in individual securities of a subsidiary in which the Company holds less than 50% of its shares shall be no more than 100% of the Company's net value. Total investment in individual securities of an indirect subsidiary in which the subsidiary holds more than 50% (inclusive) of its shares shall be no more than 200% of the subsidiary's net value, while total investment in individual securities of an indirect subsidiary in which the subsidiary holds less than 50% of its shares shall be no more than 150% of the subsidiary's net value. (No more than 200% of net

value of the investment purpose subsidiary, if any.)

- Article 6: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a stakeholder of any party to the transaction.
- Article 7: Where the Company acquires or disposes of assets through court auction procedures, the documentary evidence issued by the court may substitute the appraisal report or CPA opinion.
- Article 8: Operating Procedure for Acquisition or Disposition of Real Property or Equipment
- I. Evaluating and operating procedure
The Company's acquisition or disposition of real estate and equipment shall follow the real estate, plant and equipment circulation procedure under the Company's internal control system.
 - II. Procedure for determining trading terms and authorized limit
 - (I) Acquisition or disposition of real estate shall take into consideration announced current value, appraised value, and trading value of neighboring real estate. An analysis report shall be submitted to the Chairman of Board after trading terms and trading value are decided. In the case of value less than NT\$500 million (inclusive), the acquisition or disposition shall be subject to approval by the Chairman of Board for approval and reported at the latest Board of Directors' meeting. In the case of value more than NT\$500 million, the acquisition or disposition shall be subject to approval of the Board of Directors upon resolution in advance.
 - (II) Acquisition or disposition of equipment shall be carried out in the form of price inquiry, price comparison, price negotiation or tender invitation. Acquisition or disposition of equipment valuing less than NT\$500 million (inclusive) shall be subject to approval by level of authority pursuant to authorization rules. Acquisition or disposition of equipment more than NT\$500 million shall be subject to approval by

the Chairman of Board, and by the Board of Directors upon resolution in advance.

III. Execution unit

The Company's acquisition or disposition of real estate or equipment shall be subject to approval by the level of authority referred to in the preceding paragraph, and completed by the requesting department and responsible unit.

IV. Real estate or equipment appraisal report

In acquiring or disposing of real property or equipment where the trading value reaches 20 percent of the Company's paid-in capital or NT\$300 million or more (the trading value shall be calculated in the manner referred to in Paragraph 1 (5) of Article 15 herein. "Within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the trading value), the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for operating purpose, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser (the items to be noted in the appraisal report are identified in the appraisal report) and shall further comply with the following provisions:

- (I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the trading value, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the trading terms.
- (II) Where the trading value is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III) Where the professional appraiser's appraisal results meet any one of the following circumstances, unless all the appraisal results for the assets to be acquired are higher than the trading value, or all the appraisal

results for the assets to be disposed of are lower than the trading value, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reasons for the discrepancies and the appropriateness of the trading value:

1. The discrepancy between the appraisal result and the trading value is 20 percent or more of the trading value.
 2. The discrepancy between the appraisal results of two (2) or more professional appraisers is ten (10) percent or more of the trading value.
- (IV) No more than three (3) months may elapse between the date of the appraisal report issued by a professional appraiser and the contracting date; provided, where the publicly announced current value for the same period applies and not more than six (6) months have elapsed, an opinion may still be issued by the original professional appraiser.

Article 9: Operating Procedure for Acquisition or Disposition of Investment in Marketable Securities

- I. Evaluating and operating procedure
The Company's purchase and sale of marketable securities shall follow the investment circulation procedure under the Company's internal control system.
- II. Procedure for determining trading terms and authorized limit
 - (I) Responsible unit shall carry out the transaction of marketable securities traded in the Stock Exchange Market or a securities firm's business place within the limit authorized by the Board of Directors after judging the market condition.
 - (II) In acquiring or disposing of marketable securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the object company for the most recent period, certified or

reviewed by a certified public accountant, for reference in appraising the trading value, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more (the trading value shall be calculated in the manner referred to in Paragraph 1 (5) of Article 15 herein. "Within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the trading value), the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the trading value. If the CPA needs to adopt an expert's report as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. Notwithstanding, this requirement does not apply to public quotation of the marketable securities in an active market, or not apply where otherwise prescribed by the competent securities authority.

The long-term investment in marketable securities referred to in the preceding subparagraphs less than NT\$500 million (inclusive) shall be subject to approval by the Chairman of Board and reported to the latest Board of Directors' meeting, while the investment more than NT\$500 million shall be subject to approval in advance by the Board of Directors upon resolution.

III. Execution unit

The Company's investment in marketable securities shall be subject to approval by the level of authority referred to in the preceding paragraph, and completed by Financial Dept.

Article 10: Operating procedure for dealing with transactions with stakeholders

- I. When the Company engages in any acquisition or disposition of assets from or to a stakeholder, in addition to adopting the procedures referred to in Article 8, Article 9 and Article 11 herein, the Company shall also ensure that the necessary

resolutions are adopted and the reasonableness of the transaction terms is appraised according to the following requirement. That is, if the trading value reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions herein. When judging whether a trading counterpart is a stakeholder, in addition to legal formalities, the substance of the relationship shall also be considered.

II. Evaluating and operating procedure

When the Company intends to acquire or dispose of real property from or to a stakeholder, or when it intends to acquire or dispose of assets other than real property from or to a stakeholder and the trading value reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more (the trading value shall be calculated in the manner referred to in Paragraph 1 (5) of Article 15 herein. "Within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by Audit Committee and passed by the Board of Directors need not be counted toward the trading value), except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the majority of Audit Committee and passed by the board of directors :

- (I) The purpose, necessity and anticipated benefit of acquisition or disposition of assets.
- (II) The reason for choosing the stakeholder as a trading counterpart.
- (III) With respect to the acquisition of real property from a stakeholder, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 3 herein.
- (IV) The date and price at which the stakeholder originally

acquired the real property, the original trading counterpart, and that trading counterpart's relationship with the Company and the stakeholder.

- (V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (VI) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
- (VII) Restrictive covenants and other important stipulations associated with the transaction.

III. Evaluation on reasonableness of transaction costs

- (I) Acquiring real property from a stakeholder, the Company shall evaluate the reasonableness of the transaction costs in the following manners:
 - 1. Based upon the stakeholder's trading value plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property, provided that it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 - 2. Total loan value appraisal from a financial institution where the stakeholder has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one (1) year or more. However, this shall not apply where the financial institution is a stakeholder of one of the trading counterparts.
- (II) Where land and structures thereupon are combined as a single property purchased in one (1) transaction, the

transaction costs for the land and the structures may be separately appraised in any of the manners referred to in the preceding paragraph.

- (III) When acquiring real property from a stakeholder and appraising the cost of the real property in accordance with Subparagraph (I) and Subparagraph (II) shall also engage a CPA to check the appraisal and render a specific opinion.
- (IV) When the results of the Company's appraisal conducted in accordance with Subparagraph (I) and Subparagraph (II) are uniformly lower than the trading value, Subparagraph (V) shall apply. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:
 - 1. Where the stakeholder acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the stakeholder's construction cost plus reasonable construction profit are valued in excess of the actual trading value. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the stakeholder's construction division over the most recent three (3) years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (2) Completed transactions by any persons other than stakeholders within the preceding year involving other floors of the same property or

neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.

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

2. Where the Company provides evidence that the terms of the transaction for acquisition of real estate from a stakeholder are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by any persons other than stakeholders within the preceding year. The completed transactions for neighboring or closely valued parcels of land referred to in the preceding paragraph in principle refer to the parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value. The transaction for similarly sized parcels in principle refers to the transaction completed by any persons other than stakeholders for parcels with a land area of no less than 50 percent of the property in the planned transaction. The “within the preceding year” refers to the year preceding the date of occurrence of the acquisition of the real property.

(V) When the results of the Company’s appraisal conducted in accordance with Subparagraph (I) and Subparagraph (II) are uniformly lower than the trading value, the following requirements shall apply.

1. A special reserve shall be set aside in accordance with Paragraph 1 of Article 41 of the Act against the difference between the real property trading value and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares.
2. Audit Committee shall comply with Article 218 of the Company Act.
3. Actions taken pursuant to Item 1 and Item 2 of this subparagraph shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

Where the Company has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium; or they have been disposed of; or adequate compensation has been made; or the status quo ante has been restored; or there is other evidence confirming that there was nothing unreasonable about the transaction, and the competent securities authority has given its consent.

- (VI) Where the Company acquires real property from a stakeholder and one of the following circumstances exists, the acquisition shall be conducted in accordance with the evaluation and operating procedure referred to in Paragraph 2 of this Article, while the evaluation on reasonableness of transaction costs requirements referred to in Subparagraphs (I), (II) and (III) of this paragraph shall not apply:
1. The stakeholder acquired the real property through inheritance or as a gift.
 2. More than five (5) years will have elapsed from the time the stakeholder signs the contract to obtain the real property to the signing date for the current transaction.
 3. The real property is acquired through signing of a

joint development contract with the stakeholder, or through engaging a stakeholder to build real property, either on the Company's own land or on rented land.

(VII) When the Company obtains real property from a stakeholder, it shall also comply with the Subparagraph (V) if there is other evidence indicating that the acquisition is not an arm's length transaction.

IV. Acquisition or disposition of equipment valuing less than NT\$500 million (inclusive) between the Company and any of its subsidiaries shall be decided by the Chairman of Board, and then submitted to the latest Board of Directors' meeting for recognition. Acquisition or disposition of equipment more than NT\$500 million shall be subject to approval by the Board of Directors upon resolution at first.

Article 11: Operating Procedure for Acquisition or Disposition of Memberships or Intangible Assets

I. Evaluating and operating procedure

The Company's acquisition or disposition of memberships or intangible assets shall follow the real estate, plant and equipment circulation procedure under the Company's internal control system.

II. Procedure for determining trading terms and authorized limit
To be based on the Operating Procedure for Acquisition or Disposition of Equipment.

III. Execution unit

The Company's acquisition or disposition of memberships or intangible assets shall be subject to approval by the level of authority referred to in the preceding paragraph, and completed by the requesting department or administrative department.

IV. Expert's Evaluation Report on Memberships or Intangible Assets

Where the Company acquires or disposes of memberships or intangible assets and the trading value reaches 20 percent or more of paid-in capital or NT\$300 million or more (the trading value shall be calculated in the manner referred to in Paragraph 1 (5) of Article 15 herein. "Within the preceding

year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a CPA's opinion has been obtained need not be counted toward the trading value), except in transactions with a government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the trading value, and the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

Article 12: Operating Procedure for Acquisition or Disposition of Derivatives

I. Trading Principle and Policy

(I) Types of transaction

1. The derivatives which the Company is engaged in means the trading contracts (exclusively mean the forward contracts, options contracts, interest rate or foreign exchange rate contracts, swap contracts, and compound contracts combining the above products), whose value is derived from assets, interest rates, foreign exchange rates, or other interests. Any transaction involving other major derivatives shall be approved by a majority of all Audit Committee members and submitted to the Board of Directors for a resolution in advance.
2. The Operating Procedure shall not apply to repurchase agreement (RP), if any.

(II) Business strategies

1. For non-operating purpose:
In order to hedge against risk, it is advisable to choose the trading products capable of hedging against the risk derived from the Company's business.
2. For operating purpose:
Subject to flexibility and mobility.

(III) Division of authority and responsibility

1. Procurement Dept. and Business Dept.
To provide the foreign exchange positions for next three (3) months and related documents by 25th

day of each month to help Financial Dept. calculate the Company's overall foreign exchange positions.

2. Financial Dept.
 - (1) Trading personnel
 - A. To be responsible for researching and drafting the derivatives trading strategies throughout the Company.
 - B. The trading personnel shall calculate the positions, collect market information, judge trends and evaluate risk once per two (2) weeks to research and draft operating strategies, which shall serve to be the basis for transactions after being approved subject to the level of authority.
 - C. To execute transactions per the level of authority and existing strategies.
 - D. Where the trading personnel determine that the existing strategies shall not apply any longer due to material changes in the financial market, the trading personnel shall provide their evaluation report at any time and re-draft strategies, which shall serve to be the basis for transactions after being approved by CFO.
 - E. To make evaluation per month and submit the evaluation report to CFO.
 - (2) Personnel dedicated to settlement: To perform the function of settlement.
3. Accounting personnel
 - (1) To execute confirmation of transactions.
 - (2) To review whether transactions are conducted per the level of authority and existing strategies.
 - (3) Accounting.
 - (4) To make declaration and disclosure per the competent securities authority's requirements.
4. Level of authority and authorized limit for

derivatives transactions

(1) Transaction:

Level of authority engaged in the transaction	Authorized limit per transaction
Authorized trading personnel	Less than US\$1 million (inclusive)
Financial Dept. managers	Less than US\$5 million (inclusive)
President	Less than US\$10 million (inclusive)
Chairman of Board	More than US\$10 million

(2) Approval of transactions:

Level of authority approving the transaction	Authorized limit per transaction
Financial Dept. managers	Less than US\$5 million
President	Less than US\$10 million
Chairman of Board	More than US\$10 million (inclusive)

5. Performance evaluation

- (1) Accounting Dept. shall be responsible for providing Financial Dept. with the summary report on the Company's stated foreign exchange rate, interest rate cost and income generated from derivatives transactions.
- (2) In order to completely control and express the evaluation risk over transactions, the Company evaluates the income through monthly statement.
- (3) Financial Dept. shall provide CFO with such information as evaluation on foreign exchange positions, foreign exchange market trends and

market analysis for reference.

6. Definition of total contract amount and maximum loss limit

(1) Total contract amount

A. Limit for non-operating purpose

a. Foreign exchange rate hedging

Financial Dept. shall control the Company's entire positions to evade trading risk. Total authorized trading value shall be no more than the receivables/payables already held and expected to be generated from the Company's business or net positions after offset of assets and liabilities.

b. Any hedges other than foreign exchange rate

Financial Dept. shall be no more than the position exposed by the Company to the given risk.

B. Limit for operating purpose

The total amount of any contract shall be no more than 10% of the net value referred to in the Company's financial statements for the last quarter of the most recent fiscal year.

(2) Definition of maximum loss limit

A. For non-trading purpose: Limits on aggregate losses or losses on individual contracts are 15% of the total contract amount or individual contract amount.

B. For trading purpose: Limits on aggregate losses or losses on individual contracts are 15% of the total contract amount or individual contract amount.

II. Risk management policies

(I) Credit risk management

Considering that risk over operation of derivatives

might arise due to changes of various factors in the market, the market risk shall be managed in the following manners:

1. Trading counterpart: Primarily domestic/foreign renowned financial institutions.
2. Trading product: Limited to the products provided by domestic/foreign renowned financial institutions.
3. Trading value: The value of transactions with the same trading counterpart which have not yet been offset shall be no more than 30% of the total authorized limit, unless with approval from the Chairman of Board.

(II) Market risk management

To be primarily the public foreign exchange market provided by banks, excluding futures market for the time being.

(III) Liquidity risk management

In order to ensure the market liquidity, the Company selects the derivatives with high liquidity primarily (to be offset on the market from time to time). The financial institution commissioned to engage in trading shall have sufficient information and ability to engage in trading in any market at any time.

(IV) Cash flow risk management

In order to ensure stability of the Company's working fund, the Company's source of fund for trading derivatives shall be limited to its own fund, and the operating amount shall take into consideration the funding need for cash income and expenditure forecast for future six (6) months.

(V) Operating risk management

1. To strictly comply with the Company's authorized limit and operating procedures, and include internal audit to avoid operating risk.
2. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.

3. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the Board of Directors or senior management personnel with no responsibility for trading or position decision-making.
 4. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.
- (VI) Commodity risk management
Internal personnel dedicated to trading shall have complete and correct knowledge about derivatives and demand that banks should make full risk disclosure to avoid the risk over misuse of derivatives.
- (VII) Legal risk management
Documents to be signed with financial organizations shall be signed officially after being reviewed by personnel dedicated to foreign exchange and legal affairs, or legal advisers to avoid legal risk.
- III. Accounting principles
Accounting and preparation of financial statements for the Company's derivatives trading shall comply with the Statements of Financial Accounting Standards.
- IV. Internal audit system
- (I) The internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, Audit Committee shall be notified in writing.
 - (II) The internal audit personnel shall submit the audit

report, together with details about the audit conducted in the year of internal audit, to the competent securities authority by the end of February of next year, and report correction of irregular circumstances, if any, to the competent securities authority by the end of May of next year, at the latest.

- V. When the Company engages derivatives trading, the Board of Directors shall faithfully supervise and manage such trading in accordance with the following principles:
- (I) A designated senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk, in the following manners:
 - 1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the procedures for engaging in derivatives trading formulated by the Company.
 - 2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors. Where the Company has independent directors, an independent director shall be present at the meeting and express an opinion.
 - (II) Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.
 - (III) The Company shall report to the latest meeting of the Board of Directors after it authorizes the relevant personnel to handle derivatives trading in accordance with the procedures for engaging in derivatives trading formulated by the Company.
 - (IV) When engaging in derivatives trading, the Company shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and the matters required to

be carefully evaluated under Subparagraph (V) of Paragraph 2 and Subparagraph (I) and Subparagraph (II) of Paragraph 5 herein shall be recorded in detail in the log book.

Article 13: Operating procedure for mergers, demergers, acquisitions, or transfer of shares

I. Evaluating and operating procedure

(I) When engaging in mergers, demergers, acquisitions, or transfer of shares, it is advisable for the Company to retain a CPA, attorney-at-law, and securities underwriter to research and draft the schedule for statutory procedures jointly, and organize a taskforce to execute the procedures pursuant to law. Prior to convening the board of directors to resolve on motions, the Company shall retain a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and approval. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital. In case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

(II) The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in Paragraph 1 (I) herein when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders

meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the Company shall immediately publicly explain the reason, follow-up measures, and scheduled date of the next shareholders meeting.

II. Other requirements

- (I) Date of board of directors meeting: A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the competent securities authority is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction.
- (II) Written undertaking of confidentiality: Every person participating in or knowing the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- (III) Principles for changing share exchange ratio or acquisition price: The Company may not arbitrarily alter the share exchange ratio or acquisition price unless circumstances permitting alteration has been provided in the contract for the merger, demerger, acquisition, or transfer of shares. The conditions on

which share exchange ratio or acquisition price may be changed:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares without consideration, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, and other equity based securities.
2. An action, such as a disposition of major assets, affects the Company's financial operations.
3. An event, such as a major disaster or major change in technology, affects shareholders' equity or securities price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

(IV) Contents to be referred to in the contract: The contract shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, in addition to the following:

1. Handling of breach of contract.
2. Principles for handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.

5. Preliminary progress schedule for plan execution, and anticipated completion date.
 6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- (V) In case of changes in the number of participating companies: After public disclosure of the information, if any participating company intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer. This is provided that where the number of participating companies is decreased and a participating company's shareholders' meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- (VI) Where any of the participating companies is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Subparagraphs (I), (II) and (V) of Paragraph 2 herein.
- (VII) The Company shall prepare a full written record of the following information and retain it for five (5) years for reference:
1. Basic identification data for personnel: Including the job titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
 2. Dates of material events: Including execution of any letter of intent or memorandum of understanding, retaining of a financial or legal

advisor, execution of a contract, and convening of a Board of Directors' meeting.

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

(VIII) The Company shall, within two (2) days counting inclusively from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in Item 1 and Item 2 of the preceding subparagraph to the competent securities authority for recordation.

(IX) Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded at a securities firm's business place, the Company shall sign an agreement with such company whereby the latter is required to abide by the provisions referred to in the preceding subparagraphs.

Article 14: Any transaction involving acquisition or disposition of major assets shall be approved by a majority of all Audit Committee members and submitted to the Board of Directors for a resolution in advance. With respect to the Company's acquisition or disposition of assets that is subject to the approval of the Board of Directors under the Company's procedures or other laws or regulations, 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 each Audit Committee member. Where the Company has assigned the position of independent director, when a transaction 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.

Article 15: Procedure for information disclosure

- I. Standards for matter to be publicly announced and reported

- (I) Acquisition or disposal of real property from or to a stakeholder, or acquisition or disposition of assets other than real property from or to a stakeholder where the trading value reaches 20 percent or more of the Company's paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more. If provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- (II) Mergers, demergers, acquisitions, or transfer of shares.
- (III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out herein.
- (IV) Where the type of asset acquired or disposed of is equipment for operating purpose, the trading counterpart is not a stakeholder, and the trading value meets any of the following criteria:
 - 1. For the company whose paid-in capital is less than NT\$10 billion, the trading value reaches NT\$500 million or more.
 - 2. For the company whose paid-in capital is more than NT\$10 billion, the trading value reaches NT\$1 billion or more.
- (V) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction reaches NT\$500 million.
- (VI) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, an investment in the mainland China area reaches 20 percent or more than of the Company's paid-in capital, or NT\$300 million; provided, this shall not apply to

the following circumstances:

1. Trading of government bonds.
2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

(VII) The amount of transactions above shall be calculated as follows:

1. Amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and dispositions of the same type of underlying asset with the same trading counterpart within the preceding year.
3. The cumulative transaction amount of real property acquisitions and dispositions (cumulative acquisitions and dispositions, respectively) within the same development project within the preceding year.
4. The cumulative transaction amount of securities acquisitions and dispositions (cumulative acquisitions and dispositions, respectively) within the same security within the preceding year.

(VIII) “Within the preceding year” as used in the preceding subparagraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the trading value.

II. Time limit for public announcement and report

Where the Company’s acquisition or disposition of assets involves the items to be announced or trading value which meets the standards for public announcement and report referred to herein, the Company shall publicly announce and report the relevant information within two (2) days counting inclusively from the date of occurrence of the event.

III. Procedure for public announcement and report

(I) The Company shall publicly announce and report the relevant information on the competent securities authority’s designated website.

- (II) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies, and enter the information in the prescribed format into the information reporting website designated by the competent securities authority by 10th day of each month.
- (III) When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two (2) days counting inclusively from the date of knowing of such error or omission.
- (IV) When acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company's headquarters, where they shall be retained for five (5) years, unless otherwise provided in laws.
- (V) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with this Article, a public report of relevant information shall be made on the information reporting website designated by the competent securities authority within two (2) days counting inclusively from the date of occurrence of the event:
 - 1. Change, termination, or rescission of a contract signed in regard to the original transaction.
 - 2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 - 3. Change to the originally publicly announced and reported information.

Article 16: The Company's subsidiaries shall comply with the following

requirements:

- I. The subsidiaries shall also adopt the “Operating Procedure for Acquisition or Disposition of Assets” in accordance with the “Regulations Governing the Acquisition and Disposition of Assets by Public Companies”.
- II. Information required to be publicly announced and reported in accordance with standards for public announcement and report referred to in the “Regulations Governing the Acquisition and Disposition of Assets by Public Companies” on acquisitions and disposition of assets by a subsidiary of the Company that is not itself a public company in Taiwan shall be reported by the Company on behalf of the subsidiary.
- III. The paid-in capital or total assets of the Company shall be the standard for determining whether or not a subsidiary requires a public announcement and regulatory filing in the event the type of transaction specified therein “reaches 20 percent of paid-in capital or 10 percent of the total assets”.

Article 17: Penalty

Where the Company’s employees handle acquisition or disposition of assets in violation of the Operating Procedure, the employees 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 18: Enforcement and amendment

The Operating Procedure shall be enforced upon agreement by a majority of the Audit Committee members, and subject to resolution by a board of directors meeting and approval by a shareholders’ meeting. If a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the Audit Committee and also state it to a shareholders’ meeting for discussion.

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

matter, it shall be recorded in the minutes of the board of directors meeting.

Article 19: Bylaw

Any matters not covered herein shall be implemented in accordance with related laws and regulations.

Attachment 1

The appraisal report shall record the following:

- I. Notes to be recorded pursuant to the Regulations on Real Estate Appraisal.
- II. Notes about professional appraisers and their officers.
 - (I) The name, capital, organization structure and staffs of professional appraisers.
 - (II) Name, age and educational background & work experience (with related certificates) of the appraiser's officer, and year and period for which they have engaged in appraisal, and number of appraisal cases undertaken by them.
 - (III) Relationship among the professional appraiser, officer and client.
 - (IV) Issuance of the statement certifying that "the appraisal report is free from any false or concealed statement".
 - (V) Date of the appraisal report.
- III. The basic information about subject property shall include, at least, the name and nature, location and occupied area of the subject property.
- IV. Comparable cases for transaction of real estate with the district where the subject property is situated.
- V. Where the appraisal adopts limited price, specified price, or special price, please specify the conditions for the limited price, specified price or special price and whether such conditions are met, and the cause and reasonableness of difference from fair price, and whether the limited price, specified price or special price can duly serve as the reference for transaction price.
- VI. The joint-construction contract, if any, shall state the reasonable allocation ratio between both parties.
- VII. Estimation of land value increment tax.
- VIII. Where the appraisal results given by the professional appraisers on the same date differ by 20% or more, whether Article 41 of the Real Estate Appraiser Act has applied.
- IX. The attachments shall consist of the statement of appraisal on the subject property, ownership registration information, transcript of cadastral map, urban planning scheme, location map of the subject property, land zoning certificate, and photos showing current status of the subject property.

Appendix 6

USI Corporation Stake of Directors

Title	Name	Stake
Chairperson	Yi-Gui Wu (Representative of Shing Lee Enterprise Ltd.)	173,776,546
Director	Jing-sho Yu (Representative of Shing Lee Enterprise Ltd.)	
Director	Zhe-Yi Gao (Representative of Shing Lee Enterprise Ltd.)	
Director	Guang-Zhe Huang (Representative of Shing Lee Enterprise Ltd.)	
Director	Ji-Zhong Zhang (Representative of Shing Lee Enterprise Ltd.)	
Director	Ke-Shun Wang (Representative of Shing Lee Enterprise Ltd.)	
Independent Director	Chong Chen	
Independent Director	Ying-Jun Hai	0
Total Stake of Directors		173,776,546
Stake by Law of Directors		32,000,000

Note: The said stake is the number of shares registered in the List of Shareholders dated by the book due date (April 14) of the 2019 AGM.

2. The total issued shares of USI are 1,188,763,500 shares.

Appendix 7

The Impact of Stock Dividend Issuance on Business

Performance, EPS, and ROE: No estimates should be disclosed as no financial forecast was made for 2019.

Item	Year	2019 (Estimates)
Beginning paid-in capital		NT\$11,887,635,000
Stock dividend of the year (Note 1)	Cash dividend per share	NT\$0.3
	Stock dividend per share for capitalization with earnings.	0 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 2018 is shown according to the profit distribution proposal resolved by the Board on March 8, 2019.

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.
= [Net profit after tax – Imputed interest for cash dividends* x (1 – Tax rate)] ÷ [**Total Issued Shares by End of Year – Number of Shares with Dividends****]
Imputed interest for cash dividends* = Amount of capitalization with earnings 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 ÷ EPA in the Annual Financial Statement

Chairman:

Manager:

Case Officer:

Appendix 8

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 2019 AGM is from April 5, 2019 to April 15, 2019. All proposals were disclosed on the Market Observation Post System by law on March 25, 2019.
3. No proposal from shareholder was received during the said period.