

Stock code : : 4755



SAN FU CHEMICAL Co., Ltd.

2020 Shareholders' General Meeting Proceedings Handbook



***Making the World Better
with Total Chemical Solutions***

Date: June 16, 2020

Venue: 3F, 9, Section 1, Nanjing East Road, Taipei City



SAN FU

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I. Meeting procedure

1. Announcement of meetings
2. Statement by the Chairman
3. Reporting Matters
4. Recognition Matters
5. Discussions
6. Interim motion
7. Meeting adjourned

II. Meeting agenda

San Fu Chemical Co., Ltd. 2020 Shareholders' meeting agenda

Time: 9:00 am on Tuesday, June 16, 2020.

Venue: 3F, 9 Section 1, Nanjing East Road, Taipei City (The Okura Prestige Taipei Prestige Hall 2)

1. Announcement of meeting

2. Statement by the Chairman

3. Reporting Matters

Case 1: 2019 Business Report

Case 2: Supervisor's Review of the 2019 Financial Statements.

Case 3: Cash dividend distribution report.

Case 4: The amount of remuneration paid to directors, supervisors and employees in 2019.

Case 5: Amend the "rules of procedure of the Board of Directors".

Case 6: Amend the "procedures and conduct guideline for integrity operation.

Case 7: The adjustment of the distributable earnings of the company and the amount of special surplus reserve provided by the company in accordance with international financial reporting standards.

4. Recognition Matters

Case 1: 2019 Business Report and Financial Statements

Case 2: Earnings distribution in 2019

5. Discussions

Case 1: To approve the proposal of cash dividend distribution from the capital reserve.

Case 2: Amendment to the "rules of procedure of the shareholders' meeting".

Case 3: Amendment to the "endorsement and guarantee procedure".

6. Interim Motion

7. Meeting Adjourned

III. Reporting Matters

Case 1: Proposed by the Board of Directors

Subject matter: 2019 Business Report (please review)

Note: For our 2019 annual business report, please refer to pages 7~12 of this handbook (Annex 1).

Case 2: Proposed by the Board of Directors

Subject matter: Supervisor's Review of the 2019 Financial Statements (please review)

Note: Please refer to page 13 of this handbook (annex 2) for the audit report of the supervisors.

Case 3: Proposed by the Board of Directors

Subject matter: Please check the amount of cash dividends distributed in 2019.

Note: 1. In accordance with article 28-1 of the company's articles of association, the Board of Directors is authorized to make a special resolution to distribute all or part of the dividends and bonuses in the form of cash and report to the shareholders' meeting.

2. New Taiwan Dollars One Hundred Ninety Nine Million Five Hundred and Fifty Three Thousand Two Hundred Only shall be appropriated from the distributable earnings, and cash dividends shall be distributed at 2.2 New Taiwan dollars per share. The shareholding ratio of shareholders shall be calculated up to the dollar and the amount less than one dollar distributed to the shareholders shall be transferred to the company's other income based on the ex dividend base date.
3. This proposal was passed by a special resolution of the Board of Directors and authorized the chairman of the Board of Directors to set another ex dividend base date, issue date and other related matters. If the company's share capital before the dividend bonus base date changes and affects the total number of outstanding shares, resulting in the change of the shareholder's dividend distribution ratio, the chairman of the Board of Directors is authorized to make full adjustment.

Case 4: Proposed by the Board of Directors

Subject matter: please check the amount of remuneration paid to directors, supervisors and employees in 2019.

- Note: 1. According to the company's articles of association, the amount of remuneration allocated to the directors, supervisors and employees in 2019 is New Taiwan Dollars Nine Million Four Hundred and Twenty Four Thousand Only, respectively, which is distributed in cash.
2. The proposal for remuneration of directors, supervisors and employees referred to in the preceding paragraph has been approved by the company's remuneration committee and the Board of Directors.

Case 5: Proposed by the Board of Directors.

Subject matter: To amend the "rules of procedure of the Board of Directors", please check.

Note: In order to meet the needs of laws and regulations, it is proposed to amend the rules of procedure of the Board of Directors. Please refer to pages 34-39 (Annex 4) of this handbook.

Case 6: Proposed by the Board of Directors.

Subject matter: Please note the revision of the procedure and conduct guideline integrity operation.

Note: In order to meet the needs of laws and regulations, it is proposed to amend the "procedure and conduct guideline for integrity operation". Please refer to pages 40-49 (Annex 5) of this handbook.

Case 7:

Subject matter: Please check the adjustment of the company's distributable earnings and the amount of special surplus reserve set forth in the IFRSs.

Note: 1. Special surplus reserve shall be provided in accordance with letters JGZFF No. 1010012865 and JGZFF No. 1010047490 issued by the Financial Supervisory Commission and Questions on the application of special surplus reserve after adoption of international financial reporting standards (IFRSs).

2. In accordance with the provisions of the previous circular, the amount of special surplus reserve set aside by the amount of equity deduction as of December 31, 2019 is NT\$49,851,000, so as to let shareholders know the impact of the adjustment of distributable surplus and the amount of special surplus reserve set forth.

IV. Recognition Matters

Case 1: Proposed by the Board of Directors

Subject matter: 2019 Business Report and Financial Statements (please recognize).

Note: 1. The company's 2019 annual business report, individual financial statement and consolidated financial statement were approved by the Board of Directors, including individual financial statement and consolidated financial statement were audited by two public accountants, Xu Xiuming and Ong Yaling, of Deloitte and Touche Taiwan, and produced audit report for the case, while the business report has been sent to the supervisors for review and completed.

2. For the reports and statements mentioned in the preceding paragraph, please refer to pages 7-12 (Annex 1) and 14-33 (Annex 3) of this handbook.

3. Please recognize.

Resolution:

Case 2: Proposed by the Board of Directors

Subject matter: Please recognize the Earnings distribution in 2019.

Note: 1. The company's after tax net profit of NT\$324,474,659 (the same below) for the

year of 2019, the statutory surplus reserve of NT\$32,447,466 and the special surplus reserve of NT\$49,850,922 after deduction and the retained surplus of NT\$5,564,701 after deducting the actuarial loss, after the balance of NT\$1,091,380,066 is added to the accumulated undistributed surplus at the beginning of the period, the total distributable surplus is NT\$1,327,991, 636.

2. With the approval of the Board of Directors, the aforesaid profit distribution plan for 2019 is hereby formulated as follows:

San Fu Classic Co., Ltd. Surplus Allocation Table 2019 Unit: New Taiwan Dollars	
Undistributed surplus at the beginning of the period	1,091,380,066
Plus: net profit after tax of the current period	324,474,659
Less: 10% statutory surplus reserve	32,447,466
Less: allocated special surplus reserve	49,850,922
Less: actuarial interest transferred to retained earnings	5,564,701
Distributable surplus	1,327,991,636
Assign items	
Less: dividend of shareholders (cash dividend of NT\$2.2 per share)	199,553,200
Undistributed surplus at the end of the period	1,128,438,436

Chairman:
Resolution:



Manager:



Chief accountant::



V. Discussions

Case 1: Proposed by the Board of Directors

Subject matter: To approve the proposal of cash dividend distribution from the capital reserve and submit it to a referendum.

Note: 1. It is proposed to allocate NT\$27,211,800 of the capital reserve over the face value of the issued shares to the shares recorded in the shareholders' register on the base date of cash dividend distribution, with NT\$0.3 per share distributed.

2. The cash dividends referred to in the preceding paragraph are to be calculated up to NT\$1, and if the amount distributed to the shareholders is less than one dollar shall

be transferred to other income of the company.

3. If the total number of outstanding shares is affected by the change of the company's share capital before the dividend bonus base date, resulting in the change of the shareholder's interest distribution ratio, it is proposed to propose to the shareholders' meeting to authorize the chairman of the Board of Directors to make adjustment at his discretion.

Resolution:

Case 2: Proposed by the Board of Directors.

Subject matter: The proposal to amend the "rules of procedure of the shareholders' meeting" is submitted for a referendum.

Note:1. In response to the needs of the competent authority, it is proposed to amend some provisions of the company's "rules of procedure for shareholders' meetings".

2. Please refer to pages 50-56 (Annex 6) of this handbook for the comparison table of the articles before and after the revision.

Resolution:

Case 3: Proposed by the Board of Directors

Subject matter: The amendment of the "endorsement and guarantee procedures" is submitted for a referendum.

Note:1. In response to the needs of the competent authority, it is proposed to amend some provisions of the company's "endorsement and guarantee procedures".

2. Please refer to pages 57-61 (Annex 7) of this handbook for the comparison table of the articles before and after the revision.

Resolution:

VI. Interim motions

VII. Meeting adjourned

Annex 1

San Fu Chemical Co., Ltd. Business Report

In retrospect, in 2019, the global economic environment was affected by the Sino-US trade war, and the growth and development of various regions were slowing down day by day. As a result, the company's operating results were slightly lower than that of the previous year. The following is a summary of the results of the business in 2019 and the business plan in 2020:

1. Business results of 2019

(一) Implementation results of the business plan in 2019

(1) The company's achievements in new customers and expansion of precision chemicals are as follows:

Developer (TMAH) Recycling Business Division: In 2019, TMAH recycling system of new plant of T company and expansion plant of M company were successively completed. In addition, we have also won the order of the new factory re-invested by T company and M company, which is expected to significantly boost the revenue next year.

The TMAH recycling system carried out at the client end last year has been put into operation in the fourth quarter of last year. The capacity of Phase 1 plant has also increased significantly in the fourth quarter, and the capacity has been successfully increased to the maximum. However, considering the orders expected to increase this year and the new plant of future customers, Phase 2 plant is planned to meet the future market demand.

In the mainland market, T company's order in Nanjing was completed last year, and F Group's new investment in Guangzhou was completed. At present, it mainly strives for new opportunities for the second largest panel factory in the mainland.

Specialty Chemicals Division: For front-end semiconductors, in 2019, it developed some IC chemical certification cases, such as CPN, EBR, HMDS, wet etching solution, etc., while ICs for overseas we officially supplied H3PO4, H2SO4, EBR, TMAH, IPA (including sample delivery) to Singapore/US C company large chemical factory and mainland IC customers. It is expected to undertake the certification results of 2019 in 2020, and sample delivery of new products of W and T company, and new sample delivery to new Taiwan IC customers W and T company.

In terms of semiconductor packaging, packaging of bumping stripper spiked in 2019, and the reuse green spirit is vigorously promoted to existing customers and new customers. The innovative environmental protection technology of the fresh liquid provided by San Fu combined with the waste liquid recycling after use is promoted to customers. Looking forward to 2020, in addition to the

introduction and certification of San Fu stripper by T company and A company, there are also large packaging and testing plant P company that will certify San Fu emerging chemicals, hoping to achieve application development in the field of new chemicals in addition to bumping stripper.

In terms of panel industry, in 2019, due to the expansion of production capacity in mainland China, supply exceeded demand, the average unit price of panel industry was highly competitive, and the production capacity of the panel industry was generally reduced, but the turnover of San Fu was only slightly affected; for the development of new products, Cu Stripper and LTPS stripper continued to be certified by company I. Meanwhile, significant progress was made in Cu etchant products in 2019, and it is expected that online certification will be arranged in 2020. On the other hand, San Fu is one of the strategic partners of F company's overseas plant plan. San Fu is the priority partner for the supply of chemicals at the early stage of the plant construction. In South Taiwan Science Park H company also has launched an upgrading project for the existing chemical formula. Under the fierce competition, in order to win orders of the new generation of product process specifications thereby further enhanced, and the existing chemical formula must also be improved simultaneously to cope with the changes. At present, ITO-etchant has successfully improved the existing formula to meet the needs of customers' ITO thick film, which will also be formally introduced into mass production in 2020.

The company's achievements in developing new customers and expanding products of basic chemicals are summarized as follows:

Domestic Sales Unit: Introduce a number of new product development and sales according to the company's existing customer resources, such as sodium gluconate, sodium bicarbonate, trehalose, anhydrous calcium chloride, oxalic acid, etc. to establish product diversification; in addition, according to the government's food safety management specifications, a new food additive plant has been built in Liuke plant area, and the small packaging market development has been introduced.

Export Sales Unit: The market of PHBA is stable, and Shanhua plant is running at full production. In addition to the old customers such as America, Japan and India, we actively promote the customers of China and South Korea. In addition, efforts should be made to improve the production of paraben by three times as much as the original, and it should be actively extended to China, India, Europe and other populous countries. The DCHA project of Kaohsiung plant is expected to be completed this year. In a favorable environment, efforts

will be made to develop CHA and DCHA markets in the United States.

(2) Analysis of financial revenue and expenditure and profitability

Unit: Thousand NT\$

Item		2019	2018
Financial revenue and expenditure	Operating income	3,936,381	4,049,356
	Operating margin	686,856	760,355
	Operating income	338,636	412,968
	Non operating income and expenditure	38,329	81,288
	Net profit before tax	376,965	494,256
	Net profit after tax	324,475	397,732
Earning power	Return on assets (%)	7.68	9.65
	Return on equity (%)	10.33	13.06
	Ratio of net profit before tax to paid in capital	41.56	54.49
	Net profit rate (%)	8.24	9.82
	Earnings per share (NT\$)	3.58	4.38

Note: The above amounts are the consolidated financial statements of the company

(3) Research and development

The company's R&D focuses on product expansion with existing technical advantages and material demand of new industry trends: 1. Give full play to the market share of TMAH recycling, and integrate purification technology and formula knowledge, develop IC grade developer, so that the recycled products can be reused to IC customers, and implement circular economy; 2. Strengthen the establishment of core technology platform, hydrogenation, electrolysis, and purity chemical, etc. and develop high value-added products based on this technology; 3. Develop the formula of electronic chemicals, cooperate with the product demand development of LCD, IC packaging, IC manufacturing customers; 4. Continue to actively engage in the process improvement of existing products PHBA, Paraben, CHA, DCHA, TMAH, so as to make the process more energy-saving and efficient, so as to reduce costs and create profits. 5. In cooperation with National Cheng Kung University, we plan to research and develop the solid-state electrolyte for lithium battery, cultivate battery related talents and strengthen the R & D strength. For the purchase and update of R & D analytical equipment and analytical methods, the company continues to expand more advanced equipment, including: ICP

MS/MS (inductively coupled plasma tandem mass spectrometer), LC-MS (liquid chromatography mass spectrometer), GPC (gel permeation chromatography) SEM (scanning electron microscope) and other ppt level detection limits required by IC customers are used as tools for application development and analysis of new process chemicals.

二. 2020 Business Plan overview

(1) Business policy

San Fu adheres to the business philosophy of "innovation, integrity and simplicity", strives to promote the operation of the company, utilizes modern advanced technology, gives full play to the wisdom and creativity of all employees, provides various chemicals with high quality and low price to the booming industries, and constantly looks for new supplies to meet new demands and create new business opportunities. This year we continue to implement the following operational strategies:

1. Invest in gas companies in Vietnam and send people to Vietnam by batches to start gas business.
2. Promote TMAH recycling, increase recycling material sources and enhance the load of the recycling plant.
3. Continue to expand semiconductor customers and strive to increase the turnover of semiconductor customers.
4. To build a specialized Liuke factory to become the most complete electronic chemical factory in Taiwan.
5. Expand DCHA proprietary production line to meet the increasing market demand.
6. Integrate relevant products of San Fu Biotechnology company and San Fu group to form a more professional and rigorous food related industry.
7. Add N₂O storage tank and purification equipment to develop N₂O sales business.
8. Continue to seek international technical cooperation to improve the technical level.

(2) Production and marketing policies

1. Balance production and sales, maintain a certain amount of inventory; when the price is low, prepare more inventory.
2. Delivery adopts first in first out (FIFO) principle to keep the freshness of products.
3. Improve product quality and stability, do a good job in quality control, and achieve the goal of zero customer complaints.
4. Constantly improve the process and reduce the cost to improve the market competitiveness.

5. Actively serve and visit customers to win customers' long-term trust.

(3) Looking ahead

The company's strategy is still to draw up individual business strategy roadmaps according to different business units, combine the wisdom and creativity of all employees, and use effective enterprise resources management system at the same time to work together to increase the overall competitiveness of the company, so as to make San Fu an excellent enterprise for sustainable operation.

Developer (TMAH) Recycling Division: The TMAH recycling system completed at the client end last year has been put into operation in the fourth quarter of last year. The capacity of Phase 1 plant has also increased significantly in the fourth quarter, and the capacity has been successfully increased to the maximum. However, considering the orders expected to increase this year and the new plant of future customers, the Phase 2 plant is planned to meet the market demand in the future. After the completion of Phase 2, a new wave of growth in revenue is expected.

In the mainland market, T company's order in Nanjing was completed last year, and F Group's new investment in Guangzhou was completed. At present, it mainly strives for new opportunities for the second largest panel factory in the mainland. If successful, the electrolytic capacity built in the mainland is expected to be fully loaded, and the second phase of expansion is required.

Specialty Chemicals Division: Under the condition that the supply of new panel production capacity and competitive technology of mainland plant are greatly increased, the panel industry in Taiwan will be significantly affected in loss of revenue and capacity adjustment, and the future growth is expected to slow down or even reverse to recession. Taiwan's solar energy industry is no longer under the double influence of policy subsidies and the increase of China's supply, and Taiwan's customer capacity and production lines have been significantly reduced and unprofitable factories are likely to close. In response to the above changes, in addition to actively cultivating the semiconductor industry, the company will also put more resources in new technology chemicals such as Cu stripper and Cu etchant in the future and the 2nd source solution of water-based stripping fluid will likely create new revenue.

On the other hand, in terms of internationalization, San Fu follows its customers in four regions, namely, China's panel and semiconductor industry, Northeast Asia's panel industry, Southeast Asia's semiconductor industry and some US semiconductor markets, actively promotes chemicals and has begun to take on a moderate scale. In the future, after the manpower and hardware are more complete, San Fu will spare no effort to rush overseas markets, so as to achieve remarkable growth in domestic sales and international trade.

Domestic sales unit of basic chemicals business division: Continue the market development of new product development in 2019, such as stevioside, lactic acid

series, etc., and continue to develop and introduce new product and new supplier development in the future, such as natural caramel pigment, slow-release chlorine ingot, amino acid series, etc. Develop forward-looking new products in line with market demand; actively seek domestic competitive peer SMEs for M&A evaluation or strategic alliance, so as to increase the market share of main products and supplement the product line; develop new applications of existing products, get rid of low-cost cut-throat competition, and maintain the leading position with core competitiveness in the field.

In accordance with the government's food safety management standards, a new food additive plant has been rebuilt in Liuke plant area, and San Fu Biotechnology Co., Ltd. has set up a specialty food plant for customers to enhance confidence in the company's services; strengthen the ability of professional product quality control analysis and detection, improve the company's product quality control, and meet the needs of customers under the complete quality assurance system to improve the company's image.

Export sales unit of Basic Chemicals Business Division: Thanks to the guidance and assistance of the consultant team and unremitting efforts in improving production equipment, substantial R & D results have been achieved with upgrade of product quality, increased recovery of side products, minimized use of resources and materials consumption, and create greater profits for the company.

To sum up, in addition to continuous improvement of existing products, pursuit of quality improvement and cost reduction, the company has invested resources to develop new products; meanwhile, it has expanded other markets such as Southeast Asia and set up San Fu Vietnam subsidiary to develop gas and specialty chemicals business in emerging countries. The company will continue to develop in the direction of product application with high profit and added value.

Responsible person:  Manager:  Chief accountant: 

Annex 2

San Fu Chemical Co., Ltd. Audit Report by the Supervisors

The Board of Directors presented the Company's 2019 annual business report, financial statements and earnings distribution proposal. The financial statements were certified by Xu Xiuming and the Ong Yaling, certified accountants of Deloitte and Touche and issued an audit report.

This report is hereby submitted to the Supervisors for examination of the above-mentioned business reports, financial statements and earnings distribution proposals, which are in conformity with the relevant provisions of the Company Law and in accordance with the provisions of Article 219 of the Company Law.

Your examination is highly appreciated.

To:
Shareholders General Meeting of San Fu Chemical Co., Ltd. in 2020

Supervisor: Pilot Keymark SDN.BHD Legal 
Legal representative: Chung Susheng 
Supervisor: You Shengfu 
Supervisor: Huang Mingfu 

March 10, 2020

Annex 3

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
San Fu Chemical Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of San Fu Chemical Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, based on our audits and the report of other auditors (please refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, 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, 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 of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 based on our audits and the report of other auditors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2019 is as follow:

Measurement of Inventories

Inventories amounted to 11% (NT\$454,433 thousand) of the Group's consolidated total assets as of December 31, 2019. Please refer to Notes 4 and 10 for the accounting policies and the related disclosures of inventories. The inventories could be slow-moving or outdated due to the fluctuation in the demand market and the advancement in technology, which may result in impairment loss on inventories. The Group estimated the impairment loss of inventories based on the assessed net realized value and the evaluated aging of inventories quarterly. The estimation of net realized value and inventories aging assessment mainly depended on subjective management judgments and may affect the amount of impairment loss. As a result, the evaluation of inventories for impairment loss is determined to be a key audit matter.

We performed the following procedures to evaluate the measurement of inventories:

1. We obtained an understanding of the Company's accounting policies related to inventory write-down and the characteristics of inventory.
2. We obtained a summary table of net realizable value of inventory prepared by the management, inspected the supporting document of the latest market price, and re-calculated the net realizable value of inventory to evaluate the basis and reasonableness of the net realizable value estimated by the management.
3. We obtained the inventory aging table prepared by the management, and inspected supporting documents of recent sales, purchases and picking lists of selected samples to evaluate the accuracy of the inventory aging table.

Other Matter

In 2018, we did not audit the financial statements of International Nitto Technology Co., Ltd., a subsidiary included in the consolidated financial statements of the Group, but such statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included for International Nitto Technology Co., Ltd., is based solely on the report of other auditors. The total assets of International Nitto Technology Co., Ltd. constituted 3% of consolidated total assets as of December 31, 2018, and total revenues of International Nitto Technology Co., Ltd., from December 28, 2018 to December 31, 2018 constituted 0% of consolidated total revenues.

We have also audited the standalone financial statements of San Fu Chemical Co., Ltd. as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion with other matters section.

Responsibilities of Management and Those Charged with Governance for the 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, 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 of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shio-Ming Shue and Ya-Ling Wong.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 5, 2020

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations 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 accepted and applied in the Republic of China.

For the convenience of readers, the 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. The English financial report does not audited by the engagement partners. 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 auditors' report and financial statements shall prevail.



SANYO CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2019 AND 2018

(in Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 208,399	5	\$ 266,104	6
Financial assets at amortized cost - current	6,285	-	-	-
Contract asset - current	6,622	-	15,669	-
Notes receivable	38,829	1	43,268	1
Accounts receivable, net	923,493	22	1,010,072	23
Accounts receivable from related parties	21,444	1	12,550	-
Inventories	454,433	11	543,832	13
Prepayments	48,754	1	140,332	3
Non-current assets held for sale	186,946	4	-	-
Other current assets	39,505	1	43,580	1
Total current assets	<u>1,934,710</u>	<u>46</u>	<u>2,075,407</u>	<u>47</u>
NON-CURRENT ASSETS				
Financial asset at fair value through other comprehensive income - non-current	119,037	3	134,318	3
Investments accounted for using the equity method	410,558	10	395,837	9
Contract asset - non-current	14,617	-	11,695	-
Property, plant and equipment	1,446,980	34	1,659,639	38
Right-of-use assets	140,496	3	-	-
Deferred tax assets	34,336	1	25,873	1
Prepayments for equipment	121,901	3	3,724	-
Refundable deposits	2,960	-	1,511	-
Long-term prepayments for leases	-	-	70,018	2
Total non-current assets	<u>2,290,885</u>	<u>54</u>	<u>2,302,615</u>	<u>53</u>
TOTAL	<u>\$ 4,225,595</u>	<u>100</u>	<u>\$ 4,378,022</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 480,000	11	\$ 480,000	11
Contract liabilities - current	10,255	-	3,647	-
Accounts and notes payable	215,349	5	344,498	8
Accounts payable - related parties	4,743	-	10,251	-
Other payables	191,999	5	295,320	7
Current tax liabilities	14,464	-	56,896	1
Liabilities directly associated with non-current assets held for sale	35,865	1	-	-
Lease liabilities - current	19,544	1	-	-
Other current liabilities	3,592	-	4,371	-
Total current liabilities	<u>975,811</u>	<u>23</u>	<u>1,194,983</u>	<u>27</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities	-	-	3,021	-
Lease liabilities - non-current	53,035	1	-	-
Net defined benefit liabilities - non-current	37,914	1	54,341	2
Other non-current liabilities	2,860	-	2,158	-
Total non-current liabilities	<u>93,809</u>	<u>2</u>	<u>59,520</u>	<u>2</u>
Total liabilities	<u>1,069,620</u>	<u>25</u>	<u>1,254,503</u>	<u>29</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Ordinary shares	907,060	21	907,060	21
Capital surplus	670,626	16	662,323	15
Retain earnings				
Legal reserve	217,850	5	178,076	4
Special reserve	6,442	-	-	-
Unappropriated earnings	1,410,290	34	1,382,502	31
Total retain earnings	<u>1,634,582</u>	<u>39</u>	<u>1,560,578</u>	<u>35</u>
Other equity				
Exchange differences on translating foreign operations	(68,651)	(1)	(28,476)	(1)
Unrealized gain on financial asset at fair value through other comprehensive income	12,358	-	22,034	1
Total other equity	<u>(56,293)</u>	<u>(1)</u>	<u>(6,442)</u>	<u>-</u>
Total equity	<u>3,155,975</u>	<u>75</u>	<u>3,123,519</u>	<u>71</u>
TOTAL	<u>\$ 4,225,595</u>	<u>100</u>	<u>\$ 4,378,022</u>	<u>100</u>

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



SANYO CHEMICAL CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 3,936,381	100	\$ 4,049,356	100
OPERATING COSTS	<u>3,249,525</u>	<u>83</u>	<u>3,289,001</u>	<u>81</u>
GROSS PROFIT	<u>686,856</u>	<u>17</u>	<u>760,355</u>	<u>19</u>
OPERATING EXPENSES				
Selling and marketing expenses	204,767	5	216,051	6
General and administrative expenses	116,009	3	118,502	3
Research and development expenses	27,444	1	12,344	-
Expected credit loss	<u>-</u>	<u>-</u>	<u>490</u>	<u>-</u>
Total operating expenses	<u>348,220</u>	<u>9</u>	<u>347,387</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>338,636</u>	<u>8</u>	<u>412,968</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	51,916	1	29,903	1
Other gains and losses	(37,392)	(1)	51,751	1
Finance costs	(7,325)	-	(3,532)	-
Share of profit or loss of associates and joint ventures	<u>31,130</u>	<u>1</u>	<u>3,166</u>	<u>-</u>
Total non-operating income and expenses	<u>38,329</u>	<u>1</u>	<u>81,288</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	376,965	9	494,256	12
INCOME TAX EXPENSE	<u>(52,490)</u>	<u>(1)</u>	<u>(96,524)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>324,475</u>	<u>8</u>	<u>397,732</u>	<u>10</u>
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(6,956)	-	1,030	-
Unrealized loss on financial assets at fair value through other comprehensive income	(13,876)	-	(16,757)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>5,591</u>	<u>-</u>	<u>851</u>	<u>-</u>
	<u>(15,241)</u>	<u>-</u>	<u>(14,876)</u>	<u>(1)</u>

(Continued)

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(26,319)	(1)	(8,319)	-
Share of the other comprehensive loss of associates and joint ventures accounted for using the equity method	<u>(13,856)</u>	<u>-</u>	<u>(4,215)</u>	<u>-</u>
	<u>(40,175)</u>	<u>(1)</u>	<u>(12,534)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(55,416)</u>	<u>(1)</u>	<u>(27,410)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 269,059</u>	<u>7</u>	<u>\$ 370,322</u>	<u>9</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 324,475</u>	<u>8</u>	<u>\$ 397,732</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 269,059</u>	<u>7</u>	<u>\$ 370,322</u>	<u>9</u>
EARNINGS PER SHARE				
Basic	<u>\$3.58</u>		<u>\$4.38</u>	
Diluted	<u>\$3.57</u>		<u>\$4.37</u>	

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

(Concluded)



SHANGHAI CHINA CHEMICAL CO., LTD. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018
(in New Taiwan Dollars)

	Share Capital		Retained Earnings				Other Equity			Total Equity
	Number of Shares Authorized (In Thousand)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Financial Assets at Fair Value		
								Through Other Comprehensive Income	Unrealized Gain on Available-for-sale Financial Assets	
BALANCE AT JANUARY 1, 2018	90,706	\$ 907,060	\$ 654,332	\$ 139,429	\$ -	\$ 1,257,658	\$ (15,942)	\$ -	\$ 25,626	\$ 2,968,163
Effect of retrospective application	-	-	-	-	-	-	-	38,505	(25,626)	12,879
BALANCE AT JANUARY 1, 2018 AS RESTATED	90,706	907,060	654,332	139,429	-	1,257,658	(15,942)	38,505	-	2,981,042
Appropriation of 2017 earnings	-	-	-	38,647	-	(38,647)	-	-	-	-
Legal reserve	-	-	-	38,647	-	(38,647)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(235,836)	-	-	-	(235,836)
Other changes in capital surplus	-	-	7,991	-	-	-	-	-	-	7,991
Donations from shareholders	-	-	-	-	-	397,732	-	-	-	397,732
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	-	-	-
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	-	1,595	(12,534)	(16,471)	-	(27,410)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	399,327	(12,534)	(16,471)	-	370,322
BALANCE AT DECEMBER 31, 2018	90,706	907,060	662,323	178,076	-	1,382,502	(28,476)	22,034	-	3,123,519
Appropriation of 2018 earnings	-	-	-	39,774	-	(39,774)	-	-	-	-
Legal reserve	-	-	-	39,774	-	(39,774)	-	-	-	-
Special reserve	-	-	-	-	6,442	(6,442)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(244,906)	-	-	-	(244,906)
Other changes in capital surplus	-	-	8,303	-	-	-	-	-	-	8,303
Donations from shareholders	-	-	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2019	-	-	-	-	-	324,475	-	-	-	324,475
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(5,565)	(40,175)	(9,676)	-	(55,416)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	318,910	(40,175)	(9,676)	-	269,059
BALANCE AT DECEMBER 31, 2019	90,706	\$ 907,060	\$ 670,626	\$ 217,850	\$ 6,442	\$ 1,410,290	\$ (68,651)	\$ 12,358	\$ -	\$ 3,155,975

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

SAN-YI CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 376,965	\$ 494,256
Adjustments for:		
Depreciation expenses	269,358	200,313
Expected credit loss recognized on accounts receivables	-	490
Finance costs	7,325	3,532
Interest income	(1,831)	(1,826)
Dividend income	(1,413)	(963)
Share of profit of associates and joint ventures	(31,130)	(3,166)
Gain on disposal of property, plant and equipment	(742)	(920)
Gain on disposal of joint ventures	-	(31,681)
Impairment loss recognized on non-financial assets	35,000	40
Write-downs of inventories	3,504	4,018
Unrealized foreign currency exchange loss (gain)	7,642	(4,177)
Changes in operating assets and liabilities		
Contract asset - current	9,047	1,749
Notes receivable	4,439	11,421
Accounts receivable	79,205	72,006
Accounts receivable - related parties	(9,095)	(10,670)
Inventories	85,895	(140,778)
Prepayments	89,727	(95,615)
Other current assets	3,664	31,952
Contract asset - non-current	(2,922)	15,360
Contract liability	6,608	3,647
Notes and accounts payable	(128,605)	(26,623)
Accounts payable - related parties	(5,509)	1,110
Other payables	(96,539)	(17,516)
Other current liabilities	(598)	(6,116)
Net defined benefit liabilities - non-current	(23,383)	(19,011)
Other non-current liabilities	702	(3,528)
Cash generated from operations	<u>677,314</u>	<u>477,304</u>
Interest received	1,831	1,826
Dividend received	3,124	2,088
Interest paid	(7,283)	(3,414)
Income tax paid	<u>(100,815)</u>	<u>(92,329)</u>
Net cash generated from operating activities	<u>574,171</u>	<u>385,475</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(6,285)	-
Net cash inflow on acquisition of subsidiaries	-	72,701
Payments for property, plant and equipment	(216,145)	(310,750)
Proceeds from disposal of property, plant and equipment	742	4,910
(Increase) decrease in refundable deposits	(1,449)	10,914
(Increase) decrease in prepayments for equipment	(126,432)	7,303

(Continued)

SAN-FE CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of New Taiwan Dollars)

	2019	2018
Increase in prepayments for leases	-	(69,435)
Net cash used in investing activities	<u>(349,569)</u>	<u>(284,357)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	7,000	200,000
Repayment of the principal portion of lease liabilities	(22,847)	-
Dividends paid to owners of the Company	(244,906)	(235,836)
Proceeds of donations from shareholders	<u>8,303</u>	<u>7,991</u>
Net cash used in financing activities	<u>(252,450)</u>	<u>(27,845)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(22,437)</u>	<u>(11,280)</u>
NET (DECREASE) INCREASE IN CASH	(50,285)	61,993
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>266,104</u>	<u>204,111</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 215,819</u>	<u>\$ 266,104</u>
Cash and cash equivalents at the end of the year adjusted:		
	December 31	
	2019	2018
Cash and cash equivalents of financial statements	\$ 208,399	\$ 266,104
Cash and cash equivalents included in noncurrent assets held for sale	<u>7,420</u>	<u>-</u>
Cash and cash equivalents at the end of the year	<u>\$ 215,819</u>	<u>\$ 266,104</u>

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

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
San Fu Chemical Co., Ltd.

Opinion

We have audited the accompanying financial statements of San Fu Chemical Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, based on our audits and the report of other auditors (please refer to the Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Company's financial statements for the year ended December 31, 2019 are as follows:

Measurement of Inventories

Inventories amounted to 10% (NT\$406,559 thousand) of the Company's total assets as of December 31, 2019. Please refer to Notes 4 and 10 for the accounting policies and the related disclosures of inventories. The inventories could be slow-moving or outdated due to the fluctuation in the demand market and the advancement in technology, which may result in impairment loss on inventories. The Company estimated the impairment loss of inventories based on the assessed net realized value and the evaluated aging of inventories quarterly. The estimation of net realized value and inventories aging assessment mainly depended on subjective management judgments and may affect the amount of impairment loss. As a result, the evaluation of inventories for impairment loss is determined to be a key audit matter.

We performed the following procedures to evaluate the measurement of inventories:

1. We obtained an understanding of the Company's accounting policies related to inventory write-down and the characteristics of inventory.
2. We obtained a summary table of net realizable value of inventory prepared by the management, inspected the supporting document of the latest market price, and re-calculated the net realizable value of inventory to evaluate the basis and reasonableness of the net realizable value estimated by the management
3. We obtained the inventory aging table prepared by the management, and inspected supporting documents of recent sales, purchases and picking lists of selected samples to evaluate the accuracy of the inventory aging table.

Other Matter

We did not audit the financial statements of International Nitto Technology Co., Ltd., an investment accounted for using the equity method included in the financial statements of the Company, but such statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included for International Nitto Technology Co., Ltd., is based solely on the report of other auditors. The investment accounted for using the equity method of International Nitto Technology Co., Ltd. amounted to NT\$152,825 thousand as of December 31, 2018, constituted 4% of total assets. Share of loss of International Nitto Technology Co., Ltd. amounted to NT\$23,560 thousand for the years ended December 31, 2018, constituted (6)% of total comprehensive income.

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shiow-Ming Shue and Ya-Ling Wong.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 5, 2020

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations 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 accepted and applied in the Republic of China.

For the convenience of readers, the 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. The English financial report does not audited by the engagement partners. 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 auditors' report and financial statements shall prevail.



SAN FU CHEMICAL CO., LTD.

FINANCIAL STATEMENTS
PERIOD ENDING 31, 2019 AND 2018
(in Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash	\$ 116,912	3	\$ 100,857	2
Financial assets at amortized cost - current	6,285	-	-	-
Contract asset - current	6,622	-	15,669	-
Notes receivable	15,014	-	41,737	1
Accounts receivable, net	881,492	21	1,006,266	24
Receivable from related parties	162,598	4	15,767	-
Inventories	406,559	10	530,413	12
Prepayments	37,545	1	110,321	3
Non-current assets held for sale	151,081	4	-	-
Other current assets	19,991	-	33,792	1
Total current assets	<u>1,804,099</u>	<u>43</u>	<u>1,854,822</u>	<u>43</u>
NON-CURRENT ASSETS				
Financial asset at fair value through other comprehensive income - non-current	61,723	1	75,599	2
Investments accounted for using the equity method	861,346	21	822,478	19
Contract asset - non-current	14,617	-	11,695	-
Property, plant and equipment	1,278,879	31	1,497,215	35
Right-of-use assets	72,228	2	-	-
Deferred tax assets	34,336	1	25,873	1
Prepayments for equipment	20,790	1	3,724	-
Refundable deposits	1,284	-	1,305	-
Total non-current assets	<u>2,345,203</u>	<u>57</u>	<u>2,437,889</u>	<u>57</u>
TOTAL	<u>\$ 4,149,302</u>	<u>100</u>	<u>\$ 4,292,711</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 450,000	11	\$ 400,000	9
Contract liabilities - current	10,255	-	3,647	-
Accounts and notes payable	201,999	5	342,969	8
Accounts payable - related parties	12,064	-	11,357	-
Other payables	190,556	5	291,441	7
Current tax liabilities	14,069	-	56,896	2
Lease liabilities - current	19,544	1	-	-
Other current liabilities	1,031	-	3,362	-
Total current liabilities	<u>899,518</u>	<u>22</u>	<u>1,109,672</u>	<u>26</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities	-	-	3,021	-
Lease liabilities - non-current	53,035	1	-	-
Net defined benefit liabilities - non-current	37,914	1	54,341	1
Other non-current liabilities	2,860	-	2,158	-
Total non-current liabilities	<u>93,809</u>	<u>2</u>	<u>59,520</u>	<u>1</u>
Total liabilities	<u>993,327</u>	<u>24</u>	<u>1,169,192</u>	<u>27</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Ordinary shares	907,060	22	907,060	21
Capital surplus	670,626	16	662,323	16
Retain earnings				
Legal reserve	217,850	5	178,076	4
Special reserve	6,442	-	-	-
Unappropriated earnings	1,410,290	34	1,382,502	32
Total retain earnings	<u>1,634,582</u>	<u>39</u>	<u>1,560,578</u>	<u>36</u>
Other equity				
Exchange differences on translating foreign operations	(68,651)	(1)	(28,476)	(1)
Unrealized gain on financial asset at fair value through other comprehensive income	12,358	-	22,034	1
Total other equity	<u>(56,293)</u>	<u>(1)</u>	<u>(6,442)</u>	<u>-</u>
Total equity	<u>3,155,975</u>	<u>76</u>	<u>3,123,519</u>	<u>73</u>
TOTAL	<u>\$ 4,149,302</u>	<u>100</u>	<u>\$ 4,292,711</u>	<u>100</u>

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

SANFU CHEMICAL CO., LTD.

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 3,840,853	100	\$ 4,028,591	100
OPERATING COSTS	<u>3,162,474</u>	<u>83</u>	<u>3,275,695</u>	<u>81</u>
GROSS PROFIT	<u>678,379</u>	<u>17</u>	<u>752,896</u>	<u>19</u>
OPERATING EXPENSES				
Selling and marketing expenses	182,890	5	211,004	5
General and administrative expenses	109,399	3	117,915	3
Research and development expenses	27,438	-	12,344	1
Expected credit loss	<u>-</u>	<u>-</u>	<u>490</u>	<u>-</u>
Total operating expenses	<u>319,727</u>	<u>8</u>	<u>341,753</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>358,652</u>	<u>9</u>	<u>411,143</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	27,440	1	28,155	1
Other gains and losses	(36,744)	(1)	52,060	1
Finance costs	(6,088)	-	(3,532)	-
Share of profit or loss of subsidiaries, associates and joint ventures	<u>33,310</u>	<u>1</u>	<u>6,430</u>	<u>-</u>
Total non-operating income and expenses	<u>17,918</u>	<u>1</u>	<u>83,113</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	376,570	10	494,256	12
INCOME TAX EXPENSE	<u>(52,095)</u>	<u>(2)</u>	<u>(96,524)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>324,475</u>	<u>8</u>	<u>397,732</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(6,956)	-	1,030	-
Unrealized loss on financial asset at fair value through other comprehensive income	(13,876)	-	(16,757)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>5,591</u>	<u>-</u>	<u>851</u>	<u>-</u>
	<u>(15,241)</u>	<u>-</u>	<u>(14,876)</u>	<u>(1)</u>

(Continued)

SAN FU CHEMICAL CO., LTD.



**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method	(40,175)	(1)	(12,534)	-
	<u>(40,175)</u>	<u>(1)</u>	<u>(12,534)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	(55,416)	(1)	(27,410)	(1)
	<u>(55,416)</u>	<u>(1)</u>	<u>(27,410)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 269,059</u>	<u>7</u>	<u>\$ 370,322</u>	<u>9</u>
EARNINGS PER SHARE				
Basic	<u>\$3.58</u>		<u>\$4.38</u>	
Diluted	<u>\$3.57</u>		<u>\$4.37</u>	

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

(Concluded)

SAN FARMACAL CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Share Capital		Retained Earnings			Other Equity			Total Equity	
	Number of Shares Authorized (In Thousand)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income		Unrealized Gain on Available-for-sale Financial Assets
BALANCE AT JANUARY 1, 2018	90,706	\$ 907,060	\$ 654,332	\$ 139,429	\$ -	\$ 1,257,658	\$ (15,942)	\$ -	\$ 25,626	\$ 2,968,163
Effect of retrospective application	-	-	-	-	-	-	-	38,505	(25,626)	12,879
BALANCE AT JANUARY 1, 2018 AS ADJUSTED	90,706	907,060	654,332	139,429	-	1,257,658	(15,942)	38,505	-	2,981,042
Appropriation of 2017 earnings	-	-	-	38,647	-	(38,647)	-	-	-	-
Legal reserve	-	-	-	-	-	(235,836)	-	-	-	(235,836)
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus	-	-	7,991	-	-	-	-	-	-	7,991
Donations from shareholders	-	-	-	-	-	397,732	-	-	-	397,732
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	-	-	-
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	-	1,595	(12,534)	(16,471)	-	(27,410)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	399,327	(12,534)	(16,471)	-	370,322
BALANCE AT JANUARY 1, 2019	90,706	907,060	662,323	178,076	-	1,382,502	(28,476)	22,034	-	3,123,519
Appropriation of 2018 earnings	-	-	-	39,774	-	(39,774)	-	-	-	-
Legal reserve	-	-	-	-	6,442	(6,442)	-	-	-	-
Special reserve	-	-	-	-	-	(244,906)	-	-	-	(244,906)
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus	-	-	8,303	-	-	-	-	-	-	8,303
Donations from shareholders	-	-	-	-	-	324,475	-	-	-	324,475
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	-	-	-	-
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(5,565)	(40,175)	(9,676)	-	(55,416)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	318,910	(40,175)	(9,676)	-	269,059
BALANCE AT DECEMBER 31, 2019	90,706	\$ 907,060	\$ 670,626	\$ 217,850	\$ 6,442	\$ 1,410,290	\$ (68,651)	\$ 12,358	\$ -	\$ 3,155,975

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

SAN FU CHEMICAL CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 376,570	\$ 494,256
Adjustments for:		
Depreciation expenses	240,643	200,257
Expected credit loss recognized on accounts receivables	-	490
Finance costs	6,088	3,532
Interest income	(311)	(124)
Dividend income	(1,413)	(963)
Share of profit of subsidiaries, associates and joint ventures	(33,310)	(6,430)
Gain on disposal of property, plant and equipment	(742)	(920)
Gain on disposal of joint ventures	-	(31,681)
Impairment loss recognized on property, plant and equipment	35,000	-
Write-downs of inventories	3,504	4,018
Unrealized foreign currency exchange loss (gain)	7,642	(4,177)
Changes in operating assets and liabilities		
Contract asset - current	9,047	1,749
Notes receivable	26,723	12,280
Accounts receivable	117,400	72,123
Accounts receivable - related parties	(147,032)	(10,959)
Inventories	120,350	(135,033)
Prepayments	72,776	(66,959)
Other current assets	13,801	40,213
Contract asset - non-current	(2,922)	15,359
Contract liabilities - current	6,608	3,647
Accounts and notes payable	(140,426)	(27,926)
Accounts payable - related parties	706	1,819
Other payables	(95,487)	(17,569)
Other current liabilities	(2,331)	(6,753)
Net defined benefit liabilities - non-current	(23,383)	(19,011)
Other non-current liabilities	702	(3,528)
Cash generated from operations	<u>590,203</u>	<u>517,710</u>
Interest received	311	124
Dividend received	3,124	2,088
Interest paid	(6,048)	(3,414)
Income tax paid	<u>(100,815)</u>	<u>(92,329)</u>
Net cash generated from operating activities	<u>486,775</u>	<u>424,179</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(6,285)	-
Increase in investment in subsidiaries	(271,653)	(129,982)
Proceeds from the return of capital upon investees' capital reduction of subsidiaries by using the equity method	73,128	-
Payments for property, plant and equipment	(197,837)	(309,994)
Proceeds from disposal of property, plant and equipment	160,878	4,910

(Continued)

SAN FO CHEMICAL CO., LTD.



**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

	2019	2018
Decrease in refundable deposits	21	10,941
(Increase) decrease in prepayments for equipment	<u>(25,321)</u>	<u>7,303</u>
Net cash used in investing activities	<u>(267,069)</u>	<u>(416,822)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	50,000	200,000
Repayment of the principal portion of lease liabilities	(16,438)	-
Dividends paid to owners of the Company	(244,906)	(235,836)
Proceeds of donations from shareholders	<u>8,303</u>	<u>7,991</u>
Net cash used in financing activities	<u>(203,041)</u>	<u>(27,845)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(610)</u>	<u>12</u>
NET INCREASE (DECREASE) IN CASH	16,055	(20,476)
CASH AT THE BEGINNING OF THE YEAR	<u>100,857</u>	<u>121,333</u>
CASH AT THE END OF THE YEAR	<u>\$ 116,912</u>	<u>\$ 100,857</u>

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

(Concluded)

Annex 4

San Fu Chemical Co., Ltd.

Rules of procedure of the Board of Directors

Comparison table of some amended articles

Amended articles	Current articles	Note
<p>Article 7</p> <p>The company shall submit the following matters to the Board of Directors for discussion:</p> <ol style="list-style-type: none">1. Business plan of the company.2. Annual financial report and semi annual financial report. Provided that this restriction shall not apply to semi annual financial reports that are not required to be audited and certified by a certified public accountant in accordance with the law.3. To establish or amend the internal control system and assess the effectiveness of the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.4. In accordance with Article 36-1 of the Securities and Exchange Act, the procedures for the handling of material financial business activities, such as acquiring or disposing of assets, engaging in derivatives trading, lending funds to others, endorsing or providing guarantees for others, shall be prescribed or amended.5. Offering, issuing or private	<p>Article 7</p> <p>The company shall submit the following matters to the Board of Directors for discussion:</p> <ol style="list-style-type: none">1. Business plan of the company.2. Annual financial report and semi annual financial report. Provided that this restriction shall not apply to semi annual financial reports that are not required to be audited and certified by a certified public accountant in accordance with the law.3. To establish or amend the internal control system and assess the effectiveness of the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.4. In accordance with Article 36-1 of the Securities and Exchange Act, the procedures for the handling of material financial business activities, such as acquiring or disposing of assets, engaging in derivatives trading, lending funds to others, endorsing or providing guarantees for others, shall be prescribed or amended.5. Offering, issuing or private	<p>The audit committee's terms of reference "assessment of the effectiveness of the internal control system" in article 14-5 of the Securities and Exchange Act are also major issues.</p>

<p>placement of equity securities.</p> <p>6. Appointment and removal of the head of finance, accounting or internal audit.</p> <p>7. Donations to related parties or significant donations to non related parties. However, donations of public welfare nature due to major natural disasters may be submitted to the next Board of Directors for ratification.</p> <p>8. In accordance with article 14-3 of the Securities and Exchange Law, other matters that shall be decided by the shareholders' meeting or proposed by the Board of Directors or major matters prescribed by the competent authority in accordance with the law or the articles of association.</p> <p>The term "related party" as referred to in item 7 of the preceding paragraph refers to the related party regulated by the financial reporting standards for securities issuers; the term "significant donation to non related parties" refers to the amount of each donation or accumulated donation to the same object in one year reaching NT\$100 million or more, or reaching 1% of the net operating income or 5% of the paid in capital of the financial report in</p>	<p>placement of equity securities.</p> <p>6. Appointment and removal of the head of finance, accounting or internal audit.</p> <p>7. Donations to related parties or significant donations to non related parties. However, donations of public welfare nature due to major natural disasters may be submitted to the next Board of Directors for ratification.</p> <p>8. In accordance with article 14-3 of the Securities and Exchange Law, other matters that shall be decided by the shareholders' meeting or proposed by the board of directors or major matters prescribed by the competent authority in accordance with the law or the articles of association.</p> <p>The term "related party" as mentioned in paragraph 7 of the preceding paragraph refers to the related party regulated by the financial reporting standards for securities issuers; the term "significant donation to non related parties" refers to the amount of each donation or accumulated donation to the same object in one year reaching NT\$100 million or more, or reaching 1% of the net operating income or 5% or more of</p>	
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<p>the latest year certified by a CPA.</p> <p>The term "within one year" referred to in the preceding paragraph refers to the retrospective calculation of one year forward based on the date of the current Board of Directors, and the part that has been submitted to the Board of Directors for resolution is not included again.</p> <p>If the company has independent directors, at least one independent director shall attend the Board of Directors in person; for the matters to be proposed in the first paragraph of the Board of Directors, all independent directors shall attend the Board of Directors, and if the independent directors are unable to attend in person, other independent directors shall be appointed to attend the meeting. If an independent director has any objection or reservation, it shall be stated in the minutes of the board meeting; if an independent director is unable to attend the board meeting in person to express his objection or reservation, he shall, unless there is a legitimate reason, give a written opinion in advance, which shall be stated in the minutes of the board meeting.</p>	<p>the paid in capital of the financial report in the latest year as certified by the accountant.</p> <p>The term "within one year" referred to in the preceding paragraph is based on the date of this board of directors' meeting, which is calculated retroactively for one year, and the part that has been submitted to the board of directors for resolution is not included again.</p> <p>Where a company has independent directors, the independent directors shall attend in person, the matters to be referred to the Board of Directors under article 14-3 of the Securities and Exchange Act, and shall not appoint non independent directors to act as agents. If an independent director has any objection or reservation, it shall be stated in the minutes of the board meeting; if an independent director is unable to attend the board meeting in person to express his objection or reservation, he shall, unless there is a legitimate reason, give a written opinion in advance, which shall be stated in the minutes of the board meeting.</p>	<p>In order to clarify the authority of independent directors and further strengthen their participation in the operation of the board of directors.</p>
<p>Article 10 The Board of Directors of the</p>	<p>Article 10</p>	<p>Wordings</p>

<p>company shall be convened by the chairman of the Board of Directors, who shall act as the chairman. However, at the first meeting of each Board of Directors, the chairman of the meeting shall be the chairman of the Board of Directors who have the most voting rights on behalf of the directors who have the most voting rights. When there are two or more conveners, one of them shall be the chairman of the meeting.</p> <p><u>In accordance with paragraph 4 of article 203 or paragraph 3 of article 203-1 of the company law, where the Board of Directors is convened by more than half of the directors themselves, the directors shall elect one person to act as chairman.</u></p> <p>When the chairman of the Board of Directors takes leave or is unable to exercise his/her power for some reason, the vice chairman shall act as his/her agent. If there is no vice chairman or vice chairman of the Board of Directors who also takes leave or is unable to exercise his/her power for some reason, the chairman shall appoint one managing director to act as his/her agent. If there is no managing director, one director shall be appointed as his/her agent. If the chairman of the Board of Directors does not appoint an agent, the managing director or the director shall elect</p>	<p>The Board of Directors of the company shall be convened and chaired by the chairman. However, the first Board of Directors of each session shall be convened by the director with the most voting rights on behalf of the shareholders' meeting, and the chairman of the meeting shall be the person with the convening right. When there are two or more persons with convening rights, one of them shall be elected chairman.</p> <p>When the chairman of the Board of Directors takes leave or is unable to exercise his/her power for some reason, the vice chairman shall act as his/her agent. If there is no vice chairman or vice chairman of the Board of Directors who also takes leave or is unable to exercise his/her power for some reason, the chairman shall appoint one managing director to act as his/her agent. If there is no managing director, one director shall be appointed as his/her agent. If the chairman of the Board of Directors does not appoint an agent, the managing director or the director shall elect one person to act instead.</p>	<p>revised for item 1.</p> <p>To be updated in accordance with Article 203 of the company law.</p>
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<p>one person to act instead.</p>		
<p>Article 16 Where a director has an interest in the matters of the meeting with himself or the legal person represented by him, he shall state the important contents of his interest at the current board meeting, and shall not join in the discussion and voting if it is harmful to the interests of the company, and shall avoid the discussion and voting, and shall not exercise his voting rights on behalf of other directors. <u>Where a director's spouse, second relative, or internal blood relative, or a company which has a controlling subordinate relationship with the director has an interest in the matters of the meeting referred to in the preceding paragraph, the director shall be deemed to have an interest in the matter.</u> The resolution of the Board of Directors of the company shall be handled in accordance with the provisions of article 206, paragraph 4, of the company law, mutatis mutandis applying the provisions of Article 180, paragraph 2.</p>	<p>Article 16 Where a director has an interest in the matters of the meeting with himself or the legal person represented by him, he shall state the important contents of his interest at the current board meeting, and shall not join in the discussion and voting if it is harmful to the interests of the company, and shall avoid the discussion and voting, and shall not exercise his voting rights on behalf of other directors. The resolution of the Board of Directors of the company shall be handled in accordance with Article 206, paragraph 2, of the company law, mutatis mutandis, with the provisions of Article 180, paragraph 2.</p>	<p>In line with Article 206 of the company law, item 2 and item no. are amended.</p>
<p>Article 20 These procedures were established on March 10, 2011.</p>	<p>Article 20 These procedures were established on March 10, 2011.</p>	<p>Record revision date.</p>

<p>The first amendment was made on March 20, 2012. The second amendment was made on November 27, 2012. The third amendment was made on May 5, 2020.</p>	<p>The first amendment was made on March 20, 2012. The second amendment was made on November 27, 2012.</p>	
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Annex 5

San Fu Chemical Co., Ltd.

procedure and conduct guideline for integrity operation

Comparison table of some amended articles

Amended articles	Current articles	Note
<p>Article 5 Responsible units and job define</p> <p>The company designates the personnel team as the dedicated unit (hereinafter referred to as the dedicated unit of the company), which is subordinate to the Board of Directors, and is equipped with sufficient resources and competent personnel to carry out the revision, implementation, interpretation, consultation service, registration and filing of the contents of this operation procedure and the guide to conduct and supervise the implementation. The personnel team is mainly responsible for the following matters and shall regularly (at least once a year) report to the Board of Directors:</p> <p>1. Assist to integrate integrity and moral value into the company's business strategy, and cooperate with laws and regulations to formulate relevant anti fraud measures</p>	<p>Article 5 Compliance with laws and regulations</p> <p>The company designates the personnel team as a dedicated unit (hereinafter referred to as the dedicated unit of the company), which is subordinate to the general manager, to carry out and supervise the revision, implementation, interpretation, consultation service, registration and filing of the operation procedures and conduct guidelines, with the following main functions:</p> <p>1. Assist to integrate integrity and moral value into the company's business strategy, and cooperate with laws and regulations to formulate relevant anti fraud measures to ensure integrity.</p> <p>2. To establish a scheme for the prevention of dishonest conduct, and to establish relevant standard operating procedures and conduct guidelines in each scheme.</p>	<p>1. In accordance with Article 17 of the code of conduct for the integrity of listed and OTC companies, provide sufficient resources and competent personnel of the responsible units, and report to the Board of Directors at least once a year, thus amending the heading and preamble of this article.</p> <p>2. In accordance with Article 17 of the code of conduct on integrity of listed and OTC companies, the</p>

<p>to ensure integrity.</p> <p>2. Regularly analyze and assess the risk of dishonesty within the business scope, and formulate prevention plans for dishonesty, and formulate relevant standard operating procedures and behavior guidelines for work business within each plan.</p> <p>3. Plan internal organization, establishment and responsibility, and arrange mutual supervision and balance mechanism for business activities with high risk of dishonest behavior within the business scope.</p> <p>4. Promotion and coordination of integrity policy publicity and training.</p> <p>5. Plan the whistleblowing system to ensure the effectiveness of implementation.</p> <p>6. Assist the Board of Directors and the management to check and evaluate the effective operation of the preventive measures established by the implementation of integrity operation, and regularly</p>	<p>3. Plan internal organization, establishment and responsibility, and arrange mutual supervision and balance mechanism for business activities with high risk of dishonest behavior within the business scope.</p> <p>4. Promotion and coordination of integrity policy publicity and training.</p> <p>5. Plan the whistleblowing system to ensure the effectiveness of implementation.</p> <p>6. Assist the Board of Directors and the management to check and evaluate the effective operation of the preventive measures established by the implementation of integrity operation, and regularly evaluate the compliance of relevant business processes, and make a report.</p>	<p>matters that the responsible unit is in charge of include regular analysis and assessment of the risk of dishonest conduct within the business scope, so it is amended.</p>
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<p>evaluate the compliance of relevant business processes, and make a report.</p> <p><u>7. To make and properly keep documented information about the integrity management policy and its compliance statement, implementation commitment and implementation.</u></p>		<p>3、In line with the provisions of Article 8 of the code of integrity operation for listed and OTC companies, the provisions of paragraph 7 are hereby added.</p>
<p>Article 9 Procedures for handling political contributions</p> <p>The company shall provide political contributions in accordance with the following provisions, which shall be reported to the head of the company for approval and shall be notified to the company's responsible unit. When the amount of political contributions reaches NT \$100,000 or more, they shall be submitted to the Board of Directors for approval before they are made ◦</p>	<p>Article 9 Position of political neutrality</p> <p>The company shall provide political contributions in accordance with the following provisions, which shall be reported to the head of the company for approval and shall be notified to the company's responsible unit. When the amount of political contributions reaches NT\$100,000 or more, they shall be submitted to the Board of Directors for approval before they are made ◦</p>	
<p>Article 11 Avoidance of Interests</p> <p>Directors, supervisors, managers and other stakeholders attending or attending as nonvoting participants of the Board of Directors of the company who have an interest in the meeting matters of the Board of Directors and the legal person they represent shall state the</p>	<p>Article 11 Obligations of the Board of Directors and avoidance of interests</p> <p>The directors, supervisors, managers and other stakeholders present or present at the Board of Directors of the company who have an interest in the proposals listed by the Board of Directors and the legal person they represent shall state the</p>	<p>1. To cooperate with paragraph 1 of Article 16 of the procedures of the Board of Directors of a public company, the text and heading of this article are amended.</p>

<p>important contents of their interest at the current Board of Directors, and shall not join in the discussion and voting if it is harmful to the interests of the company, and shall withdraw from the discussion and voting and shall not act as an agent in lieu of other directors in exercising their voting rights. Directors should also be self disciplined and have to support each other.</p> <p><u>Where a director's spouse, second relative, or internal blood relative, or a company which has a controlling subordinate relationship with the director has an interest in the matters of the meeting referred to in the preceding paragraph, the director shall be deemed to have an interest in the matter.</u></p> <p>In the course of carrying out the business of the company, if a company employee finds that there is a conflict of interest with himself or the legal person he represents, or that he or she may obtain improper interests from himself, his or her spouse, parents, children or his or her stakeholders, he or she shall report the relevant circumstances to the immediate supervisor and the company's responsible unit at the same time, and the</p>	<p>important contents of their interest at the current Board of Directors, and shall not join in the discussion and voting if it is harmful to the interests of the company, and shall avoid the discussion and voting and shall not act as an agent in lieu of other directors in exercising their voting rights. Directors should also be self disciplined and have to support each other.</p> <p>In the course of carrying out the business of the company, if a company employee finds that there is a conflict of interest with himself or the legal person he represents, or that he or she may obtain improper interests from himself, his or her spouse, parents, children or his or her stakeholders, he or she shall report the relevant circumstances to the immediate supervisor and the company's responsible unit at the same time, and the</p>	<p>2.Cooperate with the third paragraph of the article 206 of the company law to add the second paragraph of this article. Where there is an interest in the matters of the board meeting, the directors shall be deemed to have their own interest in the matter.</p>
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<p>immediate supervisor shall provide appropriate guidance. Company employees shall not use the company's resources in any business activity outside the company, and shall not affect his work performance by participating in any business activity outside the company.</p>	<p>immediate supervisor shall provide appropriate guidance. Company employees shall not use the company's resources in any business activity outside the company, and shall not affect his work performance by participating in any business activity outside the company.</p>	
<p>Article 13 Prohibition of unfair competition behavior When engaging in business activities, the company shall, in accordance with the fair trade law and relevant competition laws and regulations, not fix prices, manipulate bids, limit production and quotas, or share or divide the market by distributing customers, suppliers, operating areas or business types.</p>	<p>Article13 Prohibition of violating fair trade When engaging in business activities, the company shall, in accordance with the fair trade law and relevant competition laws and regulations, not fix prices, manipulate bids, limit production and quotas, or share or divide the market by distributing customers, suppliers, operating areas or business types.</p>	<p>The heading of this article is hereby amended in accordance with Article 15 of the code of integrity operation for listed and OTC companies.</p>
<p>Article 14 <u>prevention of damage to the rights and interests of stakeholders by products or services</u> Omit items 1 and 2..... When the media reports that the company's goods and services are likely to endanger the safety and health of consumers or other interested persons, the company shall immediately recover the batch of products or stop its services, investigate whether the facts are true, and put forward a</p>	<p>Article 14 <u>Protection</u> of the rights and interests of stakeholders Omit items 1 and 2..... When the media reports that the company's goods and services are likely to endanger the safety and health of consumers or other stakeholders, the company shall immediately recover the batch of products or stop its services, investigate whether the facts are true, and put forward a review of</p>	<p>The heading of this article is hereby amended in accordance with Article 16 of the code of integrity operation for listed and OTC companies.</p>

<p>review of the improvement plan. The responsible unit of the company shall report to the Board of Directors the above-mentioned situation, its handling method and subsequent review and improvement measures.</p>	<p>the improvement plan. The responsible unit of the company shall report to the Board of Directors the above-mentioned situation, its handling method and subsequent review and improvement measures.</p>	
<p>Article 16 Follow and publicize the integrity management policy. <u>The company shall require the directors and senior management to issue a statement of compliance with the integrity operation policy, and require the employees to comply with the integrity operation policy in the requirements of employment.</u> The company shall disclose its integrity operation policy in internal regulations, annual report, company website or other publicity, and timely announce it in external activities such as product publishing meeting, legal person explanation meeting, so that its suppliers, customers or other business related organizations and personnel can clearly understand its integrity operation concept and specification.</p>	<p>Article 16 Publicize the integrity management policy</p> <p>The company shall disclose its integrity operation policy in internal regulations, annual report, company website or other publicity, and timely announce it in external activities such as product publishing meeting, legal person explanation meeting, so that its suppliers, customers or other business related organizations and personnel can clearly understand its integrity operation concept and specification.</p>	<p>In accordance with Article 8 of the code of integrity operation for listed and OTC companies, item 1 is hereby added.</p>
<p>Article 21 Handling of dishonest behavior of company personnel The company encourages internal and external personnel</p>	<p>Article 21 Reporting and handling of dishonest behavior of company personnel The company encourages</p>	<p>In accordance with Article 23 of the code of good faith practice for listed and OTC</p>

<p>to report dishonest behavior or improper behavior. According to the seriousness of the case, bonus shall be given at their discretion. In case of false report or malicious accusation by internal personnel, disciplinary action shall be taken, and in case of serious circumstances, dismissal shall be taken.</p> <p>The company has established and announced the internal independent reporting mailbox and special line on the company's website and internal website, or entrusted other external independent organizations to provide the reporting mailbox and special line for the use of internal and external personnel of the company. The whistleblower shall provide at least the following information:</p> <ol style="list-style-type: none"> 1. The name and ID card number of the whistleblower may also be disclosed anonymously, and the address, telephone number and e-mail address of the whistleblower may be contacted. 2. The name of the accused or other information sufficient to identify the identity characteristics of the accused. 3. Specific evidence for investigation. 	<p>internal and external personnel to report dishonest behavior or improper behavior. According to the seriousness of the case, bonus shall be given at their discretion. In case of false report or malicious accusation by internal personnel, disciplinary action shall be taken, and in case of serious circumstances, dismissal shall be taken.</p> <p>The company has established and announced the internal independent reporting mailbox and special line on the company's website and internal website, or entrusted other external independent organizations to provide the reporting mailbox and special line for the use of internal and external personnel of the company. The whistleblower shall provide at least the following information:</p> <ol style="list-style-type: none"> 1.The name and ID card number of the whistleblower can contact the whistleblower's address, telephone number and email address. 2. The name of the accused or other information sufficient to identify the identity characteristics of the accused. 3. Specific evidence for investigation. 	<p>companies, the text of provision 1 and item 4 of provision 2 and provision 3 of the same item are hereby amended.</p>
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<p>The relevant personnel of the company dealing with the whistleblower shall make a written statement to keep the identity and contents of the whistleblower confidential, and the company undertakes to protect the whistleblower from improper handling due to the whistleblower.</p> <p>The company's responsible unit shall handle the reporting in accordance with the following procedures:</p> <ol style="list-style-type: none"> 1. If the report involves ordinary employees, it shall be reported to the department head. If the report involves directors or senior managers, it shall be reported to independent directors or supervisors. 2. The responsible unit of the company and the supervisor or personnel reported in the preceding paragraph shall immediately find out the relevant facts, and the compliance department or other relevant departments shall provide assistance if necessary. 3. If it is confirmed that the accused has indeed violated relevant laws and regulations or the company's integrity business policies and regulations, it shall 	<p>The relevant personnel of the company dealing with the whistleblower shall make a written statement to keep the identity and contents of the whistleblower confidential, and the company undertakes to protect the whistleblower from improper handling due to the whistleblower. And shall be handled by the company's responsible unit in accordance with the following procedures:</p> <ol style="list-style-type: none"> 1. If the report involves ordinary employees, it shall be reported to the department head. If the report involves directors or senior managers, it shall be reported to independent directors or supervisors. 2. The responsible unit of the company and the supervisor or personnel reported in the preceding paragraph shall immediately find out the relevant facts, and the compliance department or other relevant departments shall provide assistance if necessary. 3. If it is confirmed that the accused has indeed violated the relevant laws and regulations or the company's integrity business policies and regulations, the accused shall 	
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<p>immediately require the accused to stop relevant acts and dispose of them appropriately, <u>and if necessary, report to the competent authority, transfer them to the judicial authority for investigation,</u> or request damages through legal procedures, so as to protect the reputation and rights and interests of the company.</p> <p>Omit provisions 4, 5, 6 of item 4</p>	<p>be required to immediately stop the relevant acts and dispose of them appropriately, and claim damages through legal procedures if necessary, so as to protect the reputation and rights and interests of the company.</p> <p>Omit provisions 4, 5, 6 of item 4</p>	
<p>Article 23 <u>Internal publicity,</u> establishment of reward and punishment, appeal system and disciplinary measures</p> <p>The responsible unit of the company shall hold an internal publicity once a year, and arrange the chairman, general manager or senior management to convey the importance of integrity to the directors, employees and appointees.</p> <p>The company shall incorporate integrity management into its employee performance appraisal and human resources policies, and establish a clear and effective reward and punishment and appeal system.</p> <p>The company shall dismiss or unhire its personnel who have committed serious breach of integrity in accordance with</p>	<p>Article 23 Establish reward and punishment, appeal system and disciplinary measures</p> <p>The responsible unit of the company shall hold an internal publicity once a year, and arrange the chairman, general manager or senior management to convey the importance of integrity to the directors, employees and appointees.</p> <p>The company shall incorporate integrity management into its employee performance appraisal and human resources policies, and establish a clear and effective reward and punishment and appeal system.</p> <p>The company shall dismiss or unhire its personnel who have committed serious breach of integrity in accordance with</p>	<p>For internal publicity, amend the heading of this article.</p>

<p>relevant laws and regulations or the company's personnel regulations.</p> <p>The company shall disclose on its internal website information such as the title, name, date of violation, content of violation and handling of the violation.</p>	<p>relevant laws and regulations or the company's personnel regulations.</p> <p>The company shall disclose on its internal website information such as the title, name, date of violation, content of violation and handling of the violation.</p>	
<p>Article 25 Annex</p> <p>These procedures are enacted on May 13, 2013. The first amendment was made on May 11, 2015. The second amendment was made on May 5, 2020.</p>	<p>Article 25 Annex</p> <p>These procedures are enacted on May 13, 2013. The first amendment was made on May 11, 2015.</p>	<p>Record revision date.</p>

San Fu Chemical Co., Ltd.

Rules of procedure of shareholders' meeting

Comparison table of some amended articles

Revised articles	Current articles	Note
<p>Article 3 (convening shareholders' meeting and meeting notice)</p> <p>The shareholders' meeting of the company shall be convened by the Board of Directors unless otherwise provided by laws and regulations.</p> <p>30 days before the general meeting of shareholders or 15 days before the interim meeting of shareholders, the subject matter and explanatory materials of various proposals such as the notice of meeting of shareholders, the letter of authorization, the relevant recognition case, the discussion case, the appointment or removal of directors, the personnel supervision and so on shall be made into electronic files and transmitted to the public information observatory.</p> <p>Twenty one days before the general meeting of shareholders or 15 days before the interim meeting of shareholders, the proceedings handbook and meeting supplementary information shall be made and transmitted to the public information observatory. 15 days</p>	<p>Article 3 (convening of shareholders' meeting and meeting notice)</p> <p>The shareholders' meeting of the company shall be convened by the Board of Directors unless otherwise provided by laws and regulations.</p> <p>30 days before the general meeting of shareholders or 15 days before the interim meeting of shareholders, the subject matter and explanatory materials of various proposals such as the notice of meeting of shareholders, the letter of authorization, the relevant recognition case, the discussion case, the appointment or removal of directors, the personnel supervision and so on shall be made into electronic files and transmitted to the public information observatory. Twenty one days before the general meeting of shareholders or 15 days before the interim meeting of shareholders, the proceedings handbook and meeting supplementary information shall be made and transmitted to the</p>	<p>In line with Article 172 of the company law, the company has added articles, written amendments and sub paragraph adjustments.</p>

<p>before the meeting of the shareholders' meeting, the proceedings handbook and supplementary information shall be prepared for the shareholders to read at any time, and shall be listed in the company and the professional stock agency appointed by the company, and shall be issued at the site of the shareholders' meeting.</p> <p>The notice and public announcement shall specify the reason for the convening; if the notice is approved by the other party, it may be made electronically.</p> <p>The selection or removal of directors, supervisors, change of articles of association, <u>reduction of capital, application for suspension of public issuance, directors' business license, transfer of surplus to capital increase, transfer of reserve to capital increase, dissolution, merger, division of the company</u> or the matters mentioned in paragraph 1 of article 185 shall be listed in the reasons for convening the meeting and the main contents shall be stated, and shall not be put forward by temporary motion; the main contents may be placed in the competent authority of securities The website designated by the company shall be specified in the notice.</p>	<p>public information observatory. 15 days before the general meeting of the shareholders' meeting, the proceedings handbook and supplementary information shall be prepared for the shareholders to read at any time, and shall be listed in the company and the professional stock agency appointed by the company, and shall be issued at the site of the shareholders' meeting.</p> <p>The notice and public announcement shall specify the reason for the convening; if the notice is approved by the other party, it may be made electronically.</p> <p>The matters concerning the election or removal of directors, supervisors, change of articles of association, dissolution, merger, division of the company or the provisions of paragraph 1 of article 185 of the company law, article 26-1 and article 43-6 of the Securities and Exchange Act, article 56-1 and article 60-2 of the criteria governing the offering and issuance of securities by issuers shall be listed in the reasons for convening the meeting, and shall not be put forward by temporary motion .</p>	
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<p><u>The reasons for the convening of the shareholders' meeting have indicated the full re-election of directors and supervisors, and the date of taking office. After the re-election of the shareholders' meeting is completed, the date of taking office shall not be changed by temporary motion or other means at the same meeting.</u></p>		<p>Add item 5 to this article as required.</p>
<p>Shareholders holding more than 1% of the total issued shares may submit to this company a proposal for the general meeting of shareholders, which shall be limited to one and shall not be included if more than one proposal is submitted. <u>However, if the shareholders' proposal is a proposal to urge the company to promote public interests or fulfill social responsibilities, the Board of Directors may still include the proposal.</u> In addition, the Board of Directors may not list the proposal proposed by the shareholders in any of the circumstances of paragraph 4, article 172-1 of the company law.</p>	<p>Shareholders holding more than 1% of the total number of issued shares may submit a written proposal to the company at the general meeting of shareholders. However, only one proposal shall be included. If there is more than one proposal, it shall not be included. In addition, the Board of Directors may not list the proposal proposed by the shareholders in any of the circumstances of paragraph 4, article 172-1 of the company law.</p>	<p>o</p>
<p>The company shall publicly announce the acceptance of the shareholder's proposal in written or electronic acceptance method, acceptance place and acceptance period should be no less than 10</p>	<p>The company shall publicly announce the acceptance of the shareholder's proposal, the place of acceptance and the period of acceptance before the date of</p>	

<p>days before the date of suspension of stock transfer and before the general meeting of shareholders.</p> <p>A proposal made by a shareholder shall be limited to three hundred words. If the proposal exceeds three hundred words, the proposal shall be excluded. The shareholder making the proposal shall attend the shareholders' meeting in person or by proxy and participate in the discussion of the proposal.</p> <p>The company shall, prior to the date of the notice of convening the shareholders' meeting, notify the proposing shareholders of the result of the handling, and shall include the proposal in the notice of meeting as required by this article. The Board of Directors shall, at the shareholders' meeting, explain the reasons for the proposal not included.</p>	<p>suspension of share transfer before the general meeting of shareholders. The period of acceptance shall not be less than 10 days.</p> <p>A proposal made by a shareholder shall be limited to three hundred words. If the proposal exceeds three hundred words, it shall be excluded. The shareholder making the proposal shall attend the general meeting of shareholders in person or by proxy and participate in the discussion of the proposal.</p> <p>The company shall, prior to the date of the notice of convening the shareholders' meeting, notify the proposing shareholders of the result of the handling, and shall include the proposal in the notice of meeting as required by this article. The Board of Directors shall, at the shareholders' meeting, explain the reasons for the proposal not included.</p>	
<p>Article 10 (proposal discussion)</p> <p>If the shareholders' meeting is convened by the Board of Directors, its agenda shall be determined by the Board of Directors. Relevant motions <u>(including temporary motions and amendments to the original motion) shall be voted on a case by case basis</u>, and the meeting shall be conducted in accordance</p>	<p>Article 10 (proposal discussion)</p> <p>If the shareholders' meeting is convened by the Board of Directors, its agenda shall be determined by the Board of Directors, and the meeting shall be conducted in accordance with the scheduled agenda, which shall not be changed without the resolution of the shareholders' meeting.</p>	<p>Item 1 was amended in line with the comprehensive adoption of electronic voting since 2018 and the implementation of the case by case voting guideline.</p>

<p>with the scheduled agenda, which shall not be changed without the resolution of the shareholders' meeting.</p> <p>Items 2 to 3 are omitted.....</p> <p>The chairman shall give full explanation and discussion to the motion and the amendment or temporary motion proposed by the shareholders. When he thinks that the voting is ready, he may declare that the discussion is stopped and the voting is put forward, and arrange adequate voting time.</p>	<p>Items 2 to 3 are omitted.....</p> <p>The chairman shall give full explanation and discussion to the motion and the amendment or temporary motion proposed by the shareholders. When he thinks that the voting is ready, he may announce to stop the discussion and put it to the vote.</p>	<p>To avoid affecting the exercise of voting rights of shareholders, item 4 is amended.</p>
<p>Article 13 (voting on proposals, vote monitoring and counting methods)</p> <p>The shareholder has one voting right for each share, except for restrictions or non voting rights listed in Article 179, paragraph 2 of the company law.</p> <p>When the company convenes a shareholders' meeting, <u>it shall be done electronically</u> but when exercising its voting rights it may be done in writing; when it exercises its voting rights in writing or electronically, its exercise method shall be specified in the notice of convening the shareholders' meeting. Shareholders who exercise their voting rights in written or electronic form shall be deemed to attend the</p>	<p>Article 13 (voting on proposals, vote monitoring and counting methods)</p> <p>The shareholder has one voting right for each share, except for restrictions or nonvoting rights listed in Article 179, paragraph 2 of the company law.</p> <p>When the company convenes a shareholders' meeting, it may exercise its voting rights in written or electronic form; when it exercises its voting rights in written or electronic form, the method of exercise shall be specified in the notice of convening the shareholders' meeting. Shareholders who exercise their voting rights in written or electronic form shall be deemed to attend the shareholders' meeting in person. However, the temporary motion</p>	<p>Item 2 was amended in line with the comprehensive electronic voting adopted by listed and OTC companies since 2018.</p>

<p>shareholders' meeting in person. However, the temporary motion and amendment to the original motion of the shareholders' meeting shall be deemed as waiver, so this company should avoid proposing the temporary motion and amendment to the original motion.</p> <p>.....</p>	<p>and amendment to the original motion of the shareholders' meeting shall be deemed as waiver, so this company should avoid proposing the temporary motion and amendment to the original motion.</p> <p>.....</p>	
<p>Article 15 (Minutes and signing matters)</p> <p>The minutes of the proceedings of the shareholders' meeting shall be made, signed or sealed by the chairman, and distributed to the shareholders within 20 days after the meeting. The production and distribution of the minutes can be done electronically.</p> <p>For the distribution of the minutes referred to in the preceding paragraph, this company may enter the method of announcement at the public information observatory.</p> <p>The minutes of the meeting shall be recorded in accordance with the year, month, day, place, name of the chairman, method of resolution, essentials of the meeting process and voting <u>results (including the statistical weight)</u>. <u>When there are directors and supervisors to be elected, the voting power of each</u></p>	<p>Article 15 (Minutes and signing matters)</p> <p>The minutes of the proceedings of the shareholders' meeting shall be made, signed or sealed by the chairman, and distributed to the shareholders within 20 days after the meeting. The production and distribution of the minutes can be done electronically.</p> <p>For the distribution of the minutes referred to in the preceding paragraph, this company may enter the method of announcement at the public information observatory.</p> <p>The minutes of the meeting shall be recorded in accordance with the year, month, day, place, name of the chairman, method of resolution, essentials of the meeting process and its results, and shall be kept permanently for the duration of the company.</p>	<p>In order to implement the guideline of case by case voting, item 3 is amended.</p>

<p><u>candidate shall be disclosed.</u> It shall be kept permanently for the duration of the company.</p>		
<p>Article 20 Annex</p> <p>These procedures are established on April 18, 2011. The first amendment was made on April 27, 2012. The second amendment was made on October 22, 2012. The third amendment was made on June 24, 2013. The fourth amendment was made on June 24, 2014. The fifth amendment was made on June 24, 2015. The sixth amendment was made on June 16, 2020.</p>	<p>Article 20 Annex</p> <p>These procedures are established on April 18, 2011. The first amendment was made on April 27, 2012. The second amendment was made on October 22, 2012. The third amendment was made on June 24, 2013. The fourth amendment was made on June 24, 2014. The fifth amendment was made on June 24, 2015.</p>	

Annex 7

San Fu Chemical Co., Ltd.

Endorsement and guarantee procedure

Comparison table of some amended articles

Revised articles	Current articles	Note
<p>Article 5 The company shall carefully evaluate whether the endorsement and guarantee matters comply with the "guidelines for the handling of capital lending and endorsement and guarantee of public companies" and the provisions of these operating procedures, and submit the same evaluation results as those in Article 6 to the Board of Directors for resolution. The Board of Directors may authorize the chairman of the Board of Directors to decide in advance within 50% of the limit of endorsement and guarantee in accordance with the relevant provisions of these operating procedures, and then report to the latest Board of Directors for ratification afterwards.</p> <p>.....</p> <p><u>The company has set up independent directors. When submitting the endorsement and guarantee procedures to the Board of Directors for discussion in accordance with the preceding paragraph, the opinions of each</u></p>	<p>Article 5 The company shall carefully evaluate whether the endorsement and guarantee matters comply with the "guidelines for the handling of capital lending and endorsement and guarantee of public companies" and the provisions of these operating procedures, and submit the same evaluation results as those in Article 6 to the Board of Directors for resolution. The Board of Directors may authorize the chairman of the Board of Directors to decide in advance within 50% of the limit of endorsement and guarantee in accordance with the relevant provisions of these operating procedures, and then report to the latest Board of Directors for ratification afterwards.</p> <p>.....</p> <p><u>After the company has set up independent directors, in the discussion of the Board of Directors referred to in the preceding paragraph, the opinions of each independent director shall be fully taken into account, and the explicit opinions and reasons for their consent or</u></p>	<p>Discretionary text modification.</p>

<p><u>independent director shall be fully considered. If the independent director has any objection or reservation, it shall be stated in the minutes of the Board of Directors.</u></p>	<p><u>opposition shall be included in the board record.</u></p>	
<p>Article 11 In the event of any change in circumstances, which results in the non-compliance of the endorsements and guarantees with the provisions of these measures or the amount of money exceeding the limit, this company shall formulate an improvement plan, send the relevant improvement plan to each supervisor, and complete the improvement according to the plan schedule.</p> <p><u>Article 11-1 : The company has set independent directors. According to the regulation of Article 9, the independent directors should be notified with any matter attention to the supervisor(s) in writing. According to the regulation of Article 11, improved plans attention to each supervisor should be sent to the independent directors.</u></p> <p><u>Where the company has set up an audit committee, the requirements of Articles 9 and 11 for supervisors shall apply mutatis mutandis to the audit committee.</u></p>	<p>Article 11 Where the company's endorsements and guarantees originally comply with the provisions of these measures now failed to conform due to the change of circumstances, or the amount of endorsements and guaranties exceeds the prescribed limit due to the change of the basis on which the limit is calculated, an improvement plan shall be formulated, and the relevant improvement plan shall be submitted to the supervisors, and the improvement shall be completed in accordance with the plan schedule.</p>	<ol style="list-style-type: none"> 1. Discretionary text modification 2. New provisions; in order to strengthen corporate governance, major violations shall be notified to independent directors in writing; improvement plans shall also be submitted to independent directors. 3. Where an audit committee has been set up, the audit committee shall be informed in writing of major violations, and the relevant improvement

		plan shall also be submitted to the audit committee
<p>Article 12 This company shall publicly report the balance of endorsements and guarantees of this company and its subsidiaries in the previous month before the 10th day of each month. If the balance of endorsements and guarantees reaches one of the following standards, this company shall publicly announce and report within two days from the date of the fact:</p> <p>.....</p> <p>3. The balance of endorsement and guarantee of the company and its subsidiaries to a single enterprise is more than NT\$10 million, and the total amount of investment book amount, capital loan and balance of endorsement and guarantee, equity method adopted by the company and its subsidiaries is more than 30% of the net value of the latest financial statements of the public company.</p> <p>.....</p> <p>The date of occurrence of facts mentioned in this procedure refers to the date of signing the contract, the date of payment, the date of resolution of the Board of Directors or other date sufficient</p>	<p>Article 12 This company shall publicly report the balance of endorsements and guarantees of this company and its subsidiaries in the previous month before the 10th day of each month. If the balance of endorsements and guarantees reaches one of the following standards, this company shall publicly announce and report within two days from the date of the fact:</p> <p>.....</p> <p>3. The balance of the company's and its subsidiaries' endorsements and guarantees for a single enterprise is more than NT\$10 million, and the total amount of their endorsements and guarantees, long-term investments, capital loans and balances is more than 30% of the net value of the company's latest financial statements.</p> <p>.....</p> <p>The date of occurrence of facts in these procedures refers to the date of signing the transaction, the date of payment, the date of resolution of the Board of</p>	<p>1. In order to clarify the definition of long-term investment, the text is amended.</p> <p>2. Considering that endorsements and guarantees are not of a transactional nature, text amendment is made.</p>

<p>to determine the object and amount of endorsement and guarantee, whichever is the earlier.</p>	<p>Directors or other date when the trading partner and the transaction amount are fully determined, whichever is the earlier.</p>	
<p>Article 16 After this procedure is approved by the Board of Directors, it shall be sent to each supervisor and submitted to the shareholders' meeting for approval. If a director objects and has a record or written statement, the company shall send the objection to each supervisor and submit it to the shareholders' meeting for discussion, and the same shall be true for amendment. The company has set up independent directors. When submitting the endorsement and guarantee procedures to the Board of Directors for discussion in accordance with the preceding paragraph, the opinions of each independent director shall be fully considered. <u>If the independent director has any objection or reservation, it shall be stated in the minutes of the Board of Directors.</u> <u>Where the company has set up an audit committee, the adoption or amendment of the procedures for endorsement and guarantee shall be approved by</u></p>	<p>Article 16 After this procedure is approved by the Board of Directors, it shall be sent to the supervisor and submitted to the shareholders' meeting for approval. If a director objects and has a record or written statement, the company shall submit the objection to the supervisor and the shareholders' meeting for discussion, and the same shall apply to the amendment. <u>After the company has set up independent directors, when submitting the endorsement and guarantee procedures to the Board of Directors for discussion in accordance with the preceding paragraph, the opinions of each independent director shall be fully considered. If the independent director has any objection or reservation, it shall be stated in the minutes of the Board of Directors.</u></p>	<ol style="list-style-type: none"> 1. Wording revised. 2. In order to strengthen corporate governance and major violations, the independent directors shall be notified in writing; the improvement plan shall also be submitted to the independent directors. 3. Where an audit committee has been set up, the audit committee shall be informed in writing of any major violations, and the relevant improvement plan

<p><u>more than one-half of all members of the audit committee and submitted to the Board of Directors for resolution.</u> <u>Paragraph 2 shall not apply.</u> <u>In the case of the preceding paragraph without the consent of more than half of all the members of the audit committee, the consent of more than two-thirds of all the directors may be obtained, and the resolution of the audit committee shall be recorded in the minutes of the Board of Directors.</u> <u>All the members of the Audit Committee referred to in paragraph 3 and all the directors referred to in the preceding paragraph shall be calculated by the actual incumbent.</u></p>		<p>shall also be submitted to the audit committee .</p>
<p>Article 17 These procedures are established on April 18, 2012. The first amendment was made on April 27, 2012. The second amendment was made on June 24, 2013. The third amendment was made on June 16, 2020.</p>	<p>Article 17 These procedures are established on April 18, 2012. The first amendment was made on April 27, 2012. The second amendment was made on June 24, 2013.</p>	

Annex 1

San Fu Chemical Co., Ltd. Rules of procedure of shareholders' meeting

Article 1 (Basis of formulation)

In order to establish a good governance system of the board of shareholders, improve the supervision function and strengthen the management function of the company, these rules are hereby formulated in accordance with the code of practice for the governance of listed and OTC companies.

Article 2

The rules of procedure of the shareholders' meeting of the company shall be in accordance with these rules, unless otherwise provided by laws and regulations or the articles of association.

Article 3 (convening of shareholders' meeting and meeting notice)

The shareholders' meeting of the company shall be convened by the Board of Directors unless otherwise provided by laws and regulations.

Thirty days before the general meeting of shareholders or 15 days before the interim meeting of shareholders, the subject matter and explanatory materials of various proposals such as the notice of meeting of shareholders, the letter of authorization, the relevant recognition case, the discussion case, the appointment or removal of directors, the personnel supervision and so on shall be made into electronic files and transmitted to the public information observatory. Twenty one days before the general meeting of shareholders or 15 days before the interim meeting of shareholders, the proceedings handbook and meeting supplementary information shall be made and transmitted to the public information observatory. 15 days before the meeting of the shareholders' meeting, the meeting handbook and supplementary information shall be prepared for the shareholders to read at any time, and shall be listed in the company and the professional stock agency appointed by the company, and shall be issued at the site of the shareholders' meeting.

The notice and public announcement shall specify the reason for calling the meeting; if the notice is approved by the other party, it can be done

electronically.

Matters concerning the election or removal of directors, supervisors, change of articles of association, dissolution, merger, division of the company or the provisions of paragraph 1 of article 185 of the Company Law, article 26-1 and article 43-6 of the Securities and Exchange Act, article 56-1 and article 60-2 of the criteria governing the offering and issuance of securities by issuers shall be listed in the reasons for convening the meeting, and shall not be put forward by temporary motion ◦

A shareholder holding more than 1% of the total number of issued shares may submit a written proposal to the company at a general meeting of shareholders. However, only one proposal shall be included. If there is more than one proposal, it shall not be included. In addition, the Board of Directors may not list the proposal proposed by the shareholders in any of the circumstances of paragraph 4, article 172-1 of the Company Law.

The company shall publicly announce the acceptance of the shareholder's proposal, the place of acceptance and the period of acceptance before the date of suspension of share transfer before the general meeting of shareholders. The period of acceptance shall not be less than 10 days.

A proposal made by a shareholder shall be limited to three hundred words. If the proposal exceeds three hundred words, it shall not be included; the shareholder making the proposal shall attend the general meeting of shareholders in person or by proxy and participate in the discussion of the proposal.

The company shall, prior to the date of the notice of convening the shareholders' meeting, notify the proposing shareholders of the result of the handling, and shall include the proposal in the notice of meeting as required by this article. The Board of Directors shall, at the shareholders' meeting, explain the reasons for the proposal not included.

Article 4 (Authorization to attend the shareholders' meeting)

A shareholder may, at each shareholders' meeting, issue a power of attorney issued by this company, stating the scope of authorization, appointing an agent to attend the shareholders' meeting.

A power of attorney issued by a shareholder and limited to one person shall be delivered to the company five days prior to the meeting of the shareholders' meeting. In case of any repetition of the power of attorney, the one delivered first shall prevail. Provided, however, that this restriction shall not apply to the principal prior to the revocation of the declaration.

After the power of attorney has been delivered to this company, if a shareholder wishes to attend the shareholders' meeting in person, he shall, at least two days before the shareholders' meeting, give a written notice to this company to revoke the power of attorney; if the power of attorney is revoked at an overdue time, the voting right to be exercised by the proxy shall prevail.

Article 5 (Principle of place and time for holding shareholders' meeting)

The place where the shareholders' meeting is to be held shall be the place where the company is located or where it is convenient for the shareholders to attend and suitable for the shareholders' meeting. The starting time of the meeting shall not be earlier than 9 a.m. or later than 3 p.m. and the place and time of the meeting shall fully consider the opinions of the independent directors.

Article 6 (Preparation of signature book and other documents)

The company shall specify in the notice of meeting the time, place and other matters to be noted for accepting the shareholder's registration.

The time for accepting the shareholder's registration referred to in the preceding paragraph shall be at least 30 minutes before the start of the meeting; the registration office shall be clearly marked, and appropriate and competent personnel shall be assigned to handle the registration.

The shareholder himself or the agent entrusted by the shareholder (hereinafter referred to as the shareholder) shall attend the shareholders' meeting with the attendance card, attendance sign card or other attendance certificates. The company shall not require any additional supporting documents for the shareholder's attendance on the basis of the supporting documents. The applicant for the power of attorney shall carry the identity documents for checking.

The company shall set up a signature book for the attending shareholders to

sign in, or the attending shareholders shall hand in the attendance card to sign in.

This company shall deliver the proceedings handbook, annual report, attendance card, speech slip, votes and other meeting materials to the shareholders present at the shareholders' meeting; if there are directors and supervisors to be elected, the election votes shall be attached.

When the government or legal person is a shareholder, the representative present at the shareholders' meeting shall not be limited to one. When a legal person is entrusted to attend the shareholders' meeting, only one representative may be appointed to attend.

Article 7 (Chairman and nonvoting personnel of the board of shareholders)

If the shareholders' meeting is convened by the Board of Directors, its chairman shall be the chairman of the Board of Directors. If the chairman of the Board of Directors is on leave or is unable to exercise his power for some reason, the vice chairman shall act for him. If there is no vice chairman or vice chairman of the Board of Directors who also takes leave or is unable to exercise his power for some reason, the chairman shall appoint a managing director to act for him. If there is no managing director, the chairman shall appoint a director to act for him, and if the chairman has not appointed an agent, the managing director or the director, one person shall be elected to act accordingly.

The chairman referred to in the preceding paragraph shall be a managing director or a director acting on his behalf, who shall hold office for more than six months and shall have knowledge of the financial and business conditions of the company. The same shall apply if the chairman is the representative of the corporate director.

For the shareholders' meeting convened by the Board of Directors, the chairman of the Board of Directors shall preside over the meeting in person, with more than half of the directors and at least one supervisor shall attend the meeting in person, and at least one member of each functional committee shall attend the meeting, and the attendance shall be recorded in the minutes of shareholders' meeting.

If the shareholders' meeting is convened by any other convener other than the Board of Directors, the chairman of the meeting shall be the convener. If there are two or more conveners, one of them shall be appointed by each other. The company may designate its appointed lawyers, accountants or related personnel to attend the shareholders' meeting as nonvoting delegates.

Article 8 (Recording and video recording of the shareholders' meeting)

The company shall continuously record and video record the whole process of shareholders' registration, meeting process and vote counting from the time of accepting shareholders' registration.

The video and audio materials referred to in the preceding paragraph shall be kept for at least one year. However, if a shareholder files a lawsuit in accordance with Article 189 of the Company Law, it shall be kept until the end of the lawsuit.

Article 9 (Calculation of the number of shares attended by the shareholders' meeting and meeting notice)

The attendance of the shareholders' meeting shall be based on the shares. The number of shares attended shall be calculated by the number of shares in written or electronic form exercising voting rights added to the signed book or the signed in card.

The chairman shall announce the meeting at the time of the meeting, however, if no shareholder representing more than half of the total issued shares is present, the chairman may announce the postponement of the meeting. The number of postponements shall be limited to two, and the total postponement shall not exceed one hour. If there are still less than one-third shareholders representing the total number of issued shares present after the second postponement, the chairman shall announce the current meeting aborted. If the second time of postponement referred to in the preceding paragraph is still insufficient and more than one-third of the total number of issued shares are represented, a provisional resolution may be adopted in accordance with paragraph 1 of Article 175 of the Company Law, and the shareholders shall be notified of the provisional resolution before convening the shareholders' meeting within one month.

Before the end of the current meeting, if the number of shares represented by the shareholders attending the meeting reaches more than half of the total number of issued shares, the chairman may make a provisional resolution and reapply it to the shareholders' meeting for voting in accordance with Article 174 of the Company Law.

Article 10 (proposal discussion)

If the shareholders' meeting is convened by the Board of Directors, its agenda shall be determined by the Board of Directors, and the meeting shall be conducted in accordance with the scheduled agenda, which shall not be changed without the resolution of the shareholders' meeting.

The provisions of the preceding paragraph shall apply mutatis mutandis to a shareholders' meeting convened by a person with the right to convene other than the Board of Directors.

Before the end of the proceedings (including temporary motions), the chairman shall not directly announce the adjournment of the meeting without a resolution; if the chairman violates the rules of procedure and announces the adjournment, other members of the Board of Directors shall promptly assist the shareholders present in making the procedures in accordance with the law, and continue the meeting with the consent of more than half of the voting rights of the shareholders present.

The chairman shall give full explanation and discussion to the motion and the amendment or temporary motion proposed by the shareholders. When he thinks that the voting is ready, he may announce to stop the discussion and put it to the vote.

Article 11 (shareholder's speech)

Before the shareholders attending the meeting make a speech, they shall fill in the speech slip to indicate the speech gist, shareholder account number (or attendance card number) and account name, and the chairman shall determine the order of their speech.

A shareholder present at the meeting shall be deemed not to have made a speech if he or she has only made a speech slip but not made a speech. In case of any discrepancy between the speech content and the speech slip, the

speech content shall prevail.

Each shareholder of the same proposal shall not speak more than twice without the consent of the chairman, and each time shall not exceed five minutes. However, if the shareholder's speech violates the regulations or exceeds the scope of the topic, the chairman may stop him from speaking. When the shareholders present at the meeting speak, other shareholders shall not interfere with the speech except with the consent of the chairman, and the chairman shall stop the violator.

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

After the shareholders attending the meeting speak, the chairman may answer in person or designate relevant personnel.

Article 12 (Calculation of voting shares)

The voting of the shareholders' meeting shall be based on the shares.

The number of shares of nonvoting shareholders shall not be included in the total number of issued shares.

A shareholder shall not join in voting and shall not exercise his or her voting rights on behalf of other shareholders when he or she has an interest of his or her own which may be harmful to the interests of the company. The number of shares that may not be voted in the preceding paragraph shall not be included in the number of voting rights of the shareholders present.

Except for the trust enterprise or the stock agency approved by the competent securities authority, when one person is entrusted by two or more shareholders at the same time, the voting rights of his/her proxy shall not exceed 3% of the total voting rights of the issued shares. If the voting rights exceed 3%, the voting rights shall not be counted.

Article 13 (voting, scrutinizing and counting of bills)

A shareholder has one voting right for each share, except for restrictions or nonvoting rights listed in paragraph 2, Article 179, of the Company Law. When the company convenes a shareholders' meeting, it may exercise its

voting rights in written or electronic form; when it exercises its voting rights in written or electronic form, the method of exercise shall be specified in the notice of convening the shareholders' meeting.

Shareholders who exercise their voting rights in written or electronic form shall be deemed to attend the shareholders' meeting in person. However, the temporary motion and amendment to the original motion of the shareholders' meeting shall be deemed as waiver, so this company should avoid proposing the temporary motion and amendment to the original motion.

Where the voting right is exercised in writing or by electronic means as referred to in the preceding paragraph, the expression of intention shall be delivered to the company two days before the shareholders' meeting. In case of any repetition of the expression of intention, the first one shall prevail. However, this restriction shall not apply to the declaration of intention before its revocation.

After the shareholders exercise their voting rights in written or electronic form, if they want to attend the shareholders' meeting in person, they shall revoke the expression of intention to exercise the voting rights mentioned in the preceding paragraph in the same way as they exercise the voting rights two days before the shareholders' meeting; if the revocation is overdue, the voting rights exercised in written or electronic form shall prevail. If the voting rights are exercised in written or electronic form and the proxy is entrusted to attend the shareholders' meeting, the voting rights of the proxy shall prevail.

Unless otherwise provided in the Company Law and the articles of association, the voting of a proposal shall be approved by more than half of the voting rights of the shareholders present. When voting, the chairman or his designated officer shall announce the total number of voting rights of the shareholders present, and then the shareholders shall vote on a case by case basis, and input the results of the shareholders' consent, objection and abstention into the public information observatory on the day after the shareholders' meeting.

When there are amendments or substitutions for the same proposal, the

chairman shall determine the order of voting with the original proposal. If one of the bills has been passed, the other bills shall be deemed to be rejected and no further voting is required.

The scrutineer and counting officer for voting on a proposal shall be appointed by the chairman, but the scrutineer shall be a shareholder. The counting of votes on the voting or election proposal of the shareholders' meeting shall be conducted in the public place of the shareholders' meeting, and the voting result shall be announced on the spot after the counting is completed, including the statistical weight, and a record shall be made.

Article 14(election matters)

When the shareholders' meeting elects directors and supervisors, it shall be conducted in accordance with the relevant election regulations prescribed by the company, and the election results shall be announced on the spot, including the list of directors and supervisors elected and their number of election rights.

The electoral votes for the election referred to in the preceding paragraph shall be sealed and signed by the scrutineer and kept properly for at least one year. However, if a shareholder files a lawsuit in accordance with Article 189 of the Company Law, it shall be kept until the end of the lawsuit.

Article 15 (Minutes and signatures)

The minutes of the proceedings of the shareholders' meeting shall be made, signed or sealed by the chairman, and distributed to the shareholders within 20 days after the meeting. The production and distribution of the minutes can be done electronically.

For the distribution of the minutes referred to in the preceding paragraph, this company may enter the method of announcement at the public information observatory.

The minutes of the meeting shall be recorded in accordance with the year, month, day, place, name of the chairman, method of resolution, essentials of the meeting process and its results, and shall be kept permanently during

the company's existence.

Article 16 (Public announcement)

The number of shares acquired by the requisitioner and the number of shares represented by the agent shall be clearly disclosed in the shareholders' meeting by a statistical table compiled in the prescribed format on the day of the shareholders' meeting.

In the event of a resolution of the shareholders' meeting that is material information as required by law or as required by the Taiwan Stock Exchange Co., Ltd. (ROC Securities Trading Center), this company shall transmit the content to the public information observatory within the prescribed time.

Article 17 (Maintenance of the order of the venue)

The meeting personnel handling the shareholders' meeting shall wear identification card or armband.

The chairman may direct pickets or security personnel to assist in maintaining order at the venue. "Picket" armband or identification card shall be worn when pickets or security personnel are present to assist in maintaining order.

If the venue is equipped with public address equipment, the chairman may stop the shareholders from speaking on equipment not provided by this company.

If a shareholder disobeys the chairman's correction in violation of the rules of procedure and hinders the progress of the meeting and fails to comply after being stopped, the chairman may direct the picket or security guard to ask him to leave the meeting.

Article 18 (recess, rally continued)

When the meeting is in progress, the chairman may, at his discretion, declare a break. In the event of force majeure, the chairman may decide to suspend the meeting temporarily and, as the case may be, announce the time for the continuation of the meeting.

Before the end of the proceedings (including temporary motions) of the

shareholders' meeting, if the venue for the meeting fails to be used at that time, the shareholders' meeting may decide to find another venue to continue the meeting.

The shareholders' meeting may, in accordance with Article 182 of the company law, decide to postpone or resume the meeting within five days.

Article 19 These Rules shall come into force after being adopted by the shareholders' meeting, and the same shall apply when they are amended.

Article 20 Annex

These procedures were established on April 18, 2011. The first amendment was made on April 27, 2012. The second amendment was made on October 22, 2012. The third amendment was made on June 24, 2013. The fourth amendment was made on June 24, 2014. The fifth amendment was made on June 24, 2015.

Annex 2

San Fu Chemical Co., Ltd. Endorsement and guarantee procedure

Article 1 The company's endorsements and guarantees shall be implemented in accordance with these operating procedures.

Article 2 Endorsements and guarantees in this procedure refer to the following:

1. Financing endorsement and guarantee:

- (1) Ticket discount financing.
- (2) Endorsement or guarantee for the purpose of financing other companies.
- (3) Issuing a separate note to a non-financial enterprise for the purpose of financing the company.

2. Tariff endorsement and guarantee: refers to the endorsement or guarantee made by the company or other companies in respect of tariff matters.

3. Other endorsements and guarantees: refers to the endorsements or guarantees that cannot be classified into the first two paragraphs.

Where this company provides chattels or real estate to create a pledge or mortgage for the loan guarantee of another company, this procedure shall also be followed.

Article 3 The objects of the external endorsements and guarantees of these operating procedures are companies directly or indirectly holding more than 50% of the voting shares of the company.

Among companies directly or indirectly holding more than 90% of the voting shares, this company may provide endorsement and guarantee, and the amount shall not exceed 10% of the net value of the public company. However, this does not apply to the endorsement and guarantee of 100% of the voting shares held directly or indirectly by a public company.

This company may provide endorsements and guarantees to the invested company in accordance with the provisions of the contract based on the mutual guarantee between the same industry or the joint manufacturers required by the contract, or by endorsement and guarantee of the invested company by all

shareholders in accordance with their shareholding ratio due to the joint investment relationship, or performance guarantee and joint guarantee of the pre-sale house sales contract between the same industry in accordance with the provisions of the consumer protection law.

The term "capital contribution" as mentioned in the preceding paragraph refers to the capital contribution made directly by the company or through the company holding 100% of the voting shares.

The subsidiaries and parent companies referred to in these procedures are recognized in accordance with the financial reporting standards for securities issuers.

The term "net value" as used in these procedures refers to the equity attributable to the owners of the parent company in the balance sheet as required by the financial reporting standards for securities issuers.

Article 4 The company's endorsements and guarantees are as follows:

1. The total amount of external endorsements and guarantees shall not exceed 40% of the company's net worth.
2. The cumulative amount of endorsements and guarantees to a single enterprise shall not exceed 10% of the company's net worth.
3. The total amount of endorsements and guarantees available to the company and its subsidiaries as a whole shall not exceed 40% of the company's net worth, and the total amount of endorsements and guarantees for a single enterprise shall not exceed 10% of the company's net worth.

The above net value shall be subject to the financial statements audited and certified or reviewed by our most recent accountant.

Article 5 This company shall prudently evaluate whether the endorsement and guarantee matters comply with the "guidelines for the handling of loan and endorsement and guarantee of funds of public companies" and these operating procedures, and shall submit the evaluation results in accordance with Article 6 to the Board of Directors for resolution. The Board of Directors may authorize the chairman of the Board of Directors to decide in advance within 50% of the limit of endorsement and guarantee in accordance with the relevant provisions

of these operating procedures, and then report to the latest Board of Directors for ratification afterwards.

A subsidiary of the company that directly or indirectly holds more than 90% of the voting shares may proceed only after it has been endorsed and guaranteed in accordance with paragraph 1 of Article 3 and submitted to the Board of Directors of the company for resolution. However, this restriction does not apply to the inter company endorsement guarantee of 100% of the voting shares held directly or indirectly by the company.

If the endorsements and guarantees of the company are subsidiaries with net value less than one-half of the paid in capital, the company shall obtain monthly management report of such subsidiaries for analysis and review, and submit it to the Board of Directors.

Where a subsidiary's shares has no nominal value or the nominal value of each share is not NT\$10, the amount of paid in capital calculated in accordance with the preceding paragraph shall be the total amount of capital stock plus capital reserve - issuance premium.

If the company's endorsement and guarantee business needs to exceed the amount set in this operation procedure and meet the conditions set in this operation procedure, it shall be approved by the Board of Directors and more than half of the directors shall give a joint guarantee for the possible loss of the company caused by exceeding the limit, and the operation procedure of endorsement and guarantee shall be amended and reported to the board of shareholders for ratification. If the board of shareholders disagrees, it shall make a plan within a certain period limit to write off the part in excess.

After the company has set up independent directors, in the discussion of the Board of Directors referred to in the preceding paragraph, the opinions of each independent director shall be fully taken into account, and the explicit opinions and reasons for their consent or opposition shall be included in the board record.

Article 6 The endorsement and guarantee operation of the company shall be carried out in accordance with the following procedures:

1. Application:

When the company handles endorsements and guarantees, the endorsee and guarantee company shall issue an application to the financial unit of the company.

2. Credit:

After the company accepts the application, the financial unit shall conduct a credit investigation on the endorsee and guarantee company, assess its risk and keep assessment records, and obtain collateral if necessary.

The financial unit shall conduct credit investigation and risk assessment for the endorsee company, and the assessment items shall include:

- (1) The necessity and rationality of endorsement and guarantee.
- (2) Whether the endorsement amount is necessary is measured by the financial status of the endorsee company.
- (3) Whether the accumulated amount of endorsement and guarantee is still within the limit.
- (4) In case of endorsement and guarantee due to business relationship, it is necessary to evaluate whether the amount of endorsement and guarantee and business transaction amount are within the limit.
- (5) Impact on the company's operational risk, financial condition and shareholders' equity.
- (6) Whether to obtain the collateral and the assessed value of the collateral.
- (7) Attached are records of endorsement, guarantee, credit and risk assessment.

3. Approval of endorsement and guarantee

- (1) After examination and evaluation, if the applicant's credit rating is poor, or there are other reasons that he/she thinks it is not appropriate to endorse and guarantee, the financial supervisor shall reply the applicant as soon as possible after signing and approving the reasons for not intending to endorse and guarantee.
- (2) After examination and evaluation, in the case of good credit rating, proper use of loan, and no adverse impact on the company's

financial business and shareholders' equity, the financial supervisor shall submit the credit rating and the examination and evaluation report, together with the proposed amount of endorsement and guarantee, to the general manager and the chairman of the board for approval, and handle it in accordance with Article 5.

Article 7 In handling the matters of endorsement and guarantee, the company shall establish a memo book, which shall be detailed for reference with respect to the object, amount, date of approval by the Board of Directors or the chairman of the Board of Directors, date of endorsement and guarantee, and matters that shall be carefully evaluated in accordance with paragraph 1 of Article 5.

Article 8 The company shall assess or recognize the contingent loss of endorsements and guarantees and properly disclose the endorsements and guarantees information in the financial report, and provide relevant information to the certified public accountant to carry out necessary audit procedures.

Article 9 The company's internal auditors shall, at least quarterly, audit the endorsement and guarantee procedures and their implementation, and make written records. In case of major violations, they shall notify the supervisor in writing.

Article 10 The company shall use the company's seal applied to the Ministry of Economic Affairs as the special seal for endorsement and guarantee. The seal and guarantee bill shall be kept by specially assigned person, and shall be used to seal and issue the bill in accordance with the prescribed procedures. The appointment, removal or change of the seal keeper shall be reported to the Board of Directors for approval. If the company acts as surety to a foreign company, the letter of suretyship issued by the company shall be signed by the person authorized by the Board of Directors.

Article 11 Where the company's endorsements and guarantees originally comply with the provisions of these measures but fail to conform due to changes in circumstances, or the amount of endorsements and guaranties exceeds the prescribed amount due to changes in the basis of the calculation of the limit,

an improvement plan shall be formulated, submitted to each supervisor, and the improvement shall be completed in accordance with the plan schedule.

Article 12 This company shall publicly announce and report the balance of endorsements and guarantees of this company and its subsidiaries in the previous month before the 10th day of each month. Where the balance of endorsements and guarantees reaches one of the following standards, this company shall publicly announce and report within two days from the date of the fact:

1. The balance of endorsements and guarantees of the company and its subsidiaries reaches more than 50% of the net value of the company's latest financial statements.
2. The balance of endorsements and guarantees of the company and its subsidiaries to a single enterprise is more than 20% of the net value of the company's latest financial statements.
3. The balance of the company's and its subsidiaries' endorsements and guarantees for a single enterprise is more than NT\$10 million, and the total amount of their endorsements and guarantees, long-term investments, capital loans and balances is more than 30% of the net value of the company's latest financial statements.
4. The amount of endorsement and guarantee newly added by the company or its subsidiaries is more than NT\$30 million and more than 5% of the net value of the company's latest financial statements.

Where a subsidiary of this company is not a domestic public company, this company shall be responsible for the matters to be publicly announced and reported under provision 4 of the preceding paragraph.

The date of occurrence of facts in these procedures refers to the date of signing the transaction, the date of payment, the date of resolution of the Board of Directors or other date when the trading partner and the transaction amount are fully determined, whichever is the earlier.

Article 13 The company's control over the endorsement and guarantee of subsidiaries shall be handled in accordance with the following procedures:

1. When a subsidiary of the company intends to endorse or provide

guarantee for others, the company shall urge the subsidiary to formulate the procedures for endorsement and guarantee in accordance with the "guidelines for the handling of loans and endorsements and guarantees of public companies". After the approval of the Board of Directors, the procedures shall be submitted to the shareholders' meeting for approval, and the same shall be true for amendment, and the procedures shall be followed.

2. When a subsidiary of the company intends to endorse and guarantee for others, the financial department of the company and the special person designated by the general manager shall specifically assess the necessity, rationality, risk, operation risk, financial status and the impact on the shareholder's equity of the endorsement and guarantee, submit it to the general manager and the chairman of the Board of Directors of the company for approval.
3. The subsidiary shall prepare and submit to the company a statement of changes in endorsements and guarantees for the previous month before the 5th day of each month (not included).
4. Internal auditors of subsidiaries shall also audit, endorse and guarantee operation procedures and their implementation at least quarterly, and make written records. If major violations are found, they shall immediately notify the audit unit of the company in writing, and the audit unit of the company shall send written materials to supervisors.
5. When the internal auditors of the company go to the subsidiary for audit according to the annual audit plan, they shall concomitantly oversee the implementation of endorsement and guarantee operation procedures of the subsidiary. If any shortcomings are found, they shall continue to track their improvement and make a tracking report to the chairman of the Board of Directors.

Article 14 When handling endorsement and guarantee related matters, our managers and organizers shall comply with the requirements of this procedure, so as to protect the company from improper operation. In case of violation of relevant laws and regulations or the provisions of this procedure, the punishment shall

be handled in accordance with the relevant personnel regulations of the company.

Article 15 Any matters not covered in this operation procedure shall be handled in accordance with relevant laws and regulations and the company's relevant regulations.

Article 16 After this procedure is approved by the Board of Directors, it shall be sent to the supervisors and submitted to the shareholders' meeting for approval. If a director objects and has a record or written statement, the company shall submit the objection to the supervisors and the shareholders' meeting for discussion, and the same shall apply to the amendment.

After the company has set up independent directors, when submitting the endorsement and guarantee procedures to the Board of Directors for discussion in accordance with the preceding paragraph, the opinions of each independent director shall be fully taken into account, and the explicit opinions and reasons for their consent or opposition shall be included in the records of the Board of Directors.

These procedures are established on April 18, 2010. The first amendment was made on April 27, 2012. The second amendment was made on June 24, 2013.

Annex 3

San Fu Chemical Co., Ltd.

Shareholding of directors and supervisors

1. The paid in capital of the company is NT\$907,060,000, and 90,706,000 shares have been issued. In accordance with Article 26 of the Securities and Exchange Act and the rules for the implementation of the equity ratio and audit of directors and supervisors of public companies, all directors shall hold at least 7,256,480 shares, and all supervisors shall hold at least 725,648 shares.

2. As of April 18, 2020, the transfer cessation date of the shareholders' general meeting, the actual number of shares held by all directors of the company was 26,449,780 shares, and the actual number of shares held by all supervisors was 19,929,000 shares. The shareholding of individual directors and supervisors is as follows:

Title	Name	Elected date	No. of shares held when elected	Number of shares held on Cessation of Transfer Date
Chairman	Wu Hsin-hong	107.06.14	3,421,750	3,381,750
Director	San Fu Global Ltd. Representative: Chang Chun-ming	107.06.14	22,116,689	22,116,689
Director	Tsai Chieh-jung	107.06.14	—	—
Director	Sh Tian-bao	107.06.14	326,000	326,000
Director	Chang Yi-chung	107.06.14	255,341	255,341
Director	Wang Yao-ming	107.06.14	348,000	370,000
Director	Liang Kuo-yuan	107.06.14	—	—
Independent director	Lee Chung-hsi	107.06.14	—	—
Independent director	Wu Tung-ming	107.06.14	—	—
Total shares held by all directors			26,467,780	26,449,780
Supervisor	Pilot Keymark SDN. BHD. Representative: Chung Shu-sheng	107.06.14	19,929,000	19,929,000
Supervisor	You Shengfu	107.06.14	—	—
Supervisor	Huang Mingfu	107.06.14	—	—
Total shares held by all supervisors			19,929,000	19,929,000

Annex 4

The impact of this free share allotment on the company's operating performance, earnings per share and the return on investment of shareholders

Item		Year	2019 (estimated)
Paid in capital at the beginning of the period			NT\$907,060,000
Distribution of shares and dividends in this year (Note 1)	Cash dividend per share (Note 1)		NT\$2.2 earning NT\$0.3 capital reserve
	Allotment per share for conversion of surplus to capital increase		-
	Number of allotments per share of capital reserve converted to capital increase		-
Changes in operating performance	Business profit		(Note 2)
	Percentage (%) increase (decrease) ratio of business profit over the same period of last year		
	After tax net benefit		
	Percentage (%) increase (decrease) ratio of after tax net profit over the same period of last year		
	Earnings per share		
	Percentage (%) increase (decrease) ratio of earnings per share over the same period of last year		
	Annual average return on investment (reverse of annual average cost to benefit ratio)		
Proposed earnings per share and its cost to benefit ratio	If the surplus is transferred to capital increase the full amount will be allocated in cash dividend	Proposed earnings per share	(Note 2)
		Proposed average annual return on investment	
	If the capital reserve is not managed to be transferred to capital increase	Proposed earnings per share	
		Proposed average annual return on investment	
	If the capital reserve is not managed and the surplus capital is increased, it will be issued with cash dividend	Proposed earnings per share	
		Proposed average annual return on investment	

Note 1: The reserve shall be determined at the shareholders' general meeting.

Note 2: The company has not disclosed its financial forecast for 2020, so it is not necessary to disclose the estimated operating performance, earnings per share and proposed information for 2020.