

(Stock code: 1310)

Taiwan Styrene Monomer Corporation

Annual Meeting of Shareholders, 2019

Meeting Agenda

June 28, 2019

Address: No. 7, Industrial 1st Rd., Linyuan Dist., Kaohsiung City 83245, Taiwan, R.O.C.
(Kaohsiung Factory of the Company)

Taiwan Styrene Monomer Corporation
Annual Meeting of Shareholders, 2019
Meeting Agenda
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(3) Ethical Corporate Management Best Practice Principles Amendment Comparison

(4) 2018 Financial Statement

(5) 2018 Earning Distribution

(6) Procedures for Acquisition or Disposal of Assets Amendment Comparison

(7) Operational Procedures for Loaning Funds to Others Amendment Comparison

(8) Management of Endorsement and Guarantees Amendment Comparison

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(1) Corporation Articles

(2) Meeting Regulations

(3) Procedures for Acquisition or Disposal of Assets(Before amendment)

(4) Operational Procedures for Loaning Funds to Others (Before amendment)

(5) Management of Endorsement and Guarantees (Before amendment)

(6) Procedures for Election of Directors and supervisors (Before amendment)

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(9) 2018 Compensation Infos

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1、Meeting Procedure

Taiwan Styrene Monomer Corporation
Annual Meeting of Shareholders, 2019

Time : AM 09:30 Jun.28, 2019

Place : No.7, Industry-1 Rd., Linyuan Dist., Kaohsiung City
(Kaohsiung Plant)

Agenda :

1、Announce (By president)

2、President speech

3、Report

(1) 2018 Business Report

(2) 2018 closing account

(3) 2018 compensation infos

(4) Ethical Procedure Report

4、Acknowledgment

(1) 2018 business report

(2) 2018 earning distribution

5、Discussion

(1) Procedures for Acquisition or Disposal of Assets Discussion

(2) Operational Procedures for Loaning Funds to Others Discussion

(3) Management of Endorsement and Guarantees Discussion

(4) Procedures for Election of Directors and supervisors Discussion

6、Proposal

7、Adjourn

2. Reporting Items

Case 1

Subject: Business Report 2018, please check.

Description: Please refer to [Attachment 1](#), Page 12.

Case 2

Subject: Financial Statements 2018 reviewed by the Audit Committee, please check.

Description: Financial Statements 2018 reviewed by the Audit Committee, please refer to [Attachment 2](#), Page 15

Case 3

Subject: Distribution Report for the Compensation of Employees, Directors and Supervisors 2018, please check.

Description: This case shall be handled according to Sec. 1 and Sec. 2, Article 31 of the terms and conditions of the company. It is planned to take the income before tax in 2018 and draw 2.5% of it as the compensation for the directors and supervisors, and 2% of it as the compensation for the employees. All the compensation shall be distributed in cash as described in the following form:

	Unit: NT\$
Item	Amount
Profit before tax and before the deduction of the compensation for employees, directors and supervisors (i.e. the profit consists of the profit before tax before the deduction of the compensation for employees, directors and supervisors)	1,642,929,758
2.5% of it was allocated to the directors and supervisors as compensation	41,073,000
2% of it was allocated to the employees as compensation	33,086,131
Net profit before tax	1,568,770,627

Case 4

Subject: Revision Report of Guidelines for Operation in Good Faith, please check.

Description:

1. The "Guidelines for Operation in Good Faith" of the Company is planned to be made according to related laws and regulations and by the audit committee established by the Company.
2. The comparison form for the revision of part of the provisions in the "Guidelines for Operation in Good Faith" is provided. Please refer to [Attachment 3](#), on page 16.

3. Items for Approval

Case 1: Proposal by the Board

Subject: Please review and approve the case for approval of the Operational Report and Financial Statements 2018.

Description: The financial statements 2018 of the Company were audited and approved by Baker Tilly Clock & CO, and the audit committee also reviewed them.

For the Operational Report, please refer to [Attachment 1](#), on page 12.

For the Financial Statements, please refer to [Attachment 4](#), on page 22.

Decision:

Case 2: Proposal by the Board

Subject: Please review and approve the case for approval of the Earnings Distribution Plan 2018.

Description: 1. The income after tax of the Company in 2018 was 1,216,400,943 TWD, and the distributable earnings were 2,127,643,174 TWD.

2. The abovementioned distributable earnings are planned to be distributed as follows:

(1) The legal reserve of 121,640,094 TWD and special capital reserve of 421,857,342 TWD were listed according to the Company Act.

(2) It is planned to distribute a cash dividend of 2.0 TWD for each shares held by shareholders, and the total of which will be 1,055,739,528 TWD. The number was calculated according to the share holding ration on the name book of shareholders by the basic day of interest removal.

3. The balance after the distribution will be 528,406,210 TWD, and it will be kept as the retained earnings to be distributed.

4. The distribution of earnings will be performed before the basic day of interest removal. If the share capital of the Company changes and affects the number of issued shares, causing the change in the dividend rate for shareholders and the need for revision, it is planned to have the shareholders authorize the chairperson to handle the problem according to the Company Act or other related regulations.

5. The smallest cash dividend shall be 1 TWD. The total of any dividend of an odd lot of less than 1 TWD will be returned to the retained earnings to be distributed.

6. For the Earnings Distribution Form of the Company 2018, please refer to [Attachment 5](#) on Page 47.

Decision:

4. Items for discussion

Case 1: Proposed by the Board

Subject: Discussion for the revisions of Operating Procedure for the Acquisition and Disposal of Assets, please discuss.

Description:

1. It is planned to revise part of the provisions of "Operating Procedure for the Acquisition and Disposal of Assets" of the Company according to related laws and regulations and by the audit committee established by the Company.
2. We attach the comparison form for the revisions of the "Operating Procedure for the Acquisition and Disposal of Assets", please refer to [Attachment 6](#), Page 48

Decision:

Case 2: Proposal by the Board

Subject: Operational Procedures for Loaning Funds to Others Discussion, please review and approve.

Description:

1. Set up Auditor Committee and revise the Loan to Others Procedure.
2. Present Operational Procedures for Loaning Funds to Others amendment comparison, , please refer to [Attachment 7](#), Page 91

Decision:

Case 3 By the Board

Subject: Management of Endorsement and Guarantees Discussion

Description:

- 1、Set up Auditor Committee and revise Management of Endorsement and Guarantees.
- 2、Present 「Management of Endorsement and Guarantees」 amendment comparison, ,
please refer to [Attachment 8](#), Page 101

Decision:

Case 4 By the Board

Subject: Procedures for Election of Directors and supervisors Discussion

Description:

- 1、Set up Auditor Committee and revise Directors and Supervisors Election SOP.
- 2、Present Procedures for Election of Directors Comparison, please refer to [Attachment 9](#),
Page 109

Decision:

5. New proposals during the meeting

6. Dismissal

7 、 Appendices

- (1) 2018 Business Report
- (2) 2018 Closing Account
- (3) Ethical code Comparison
- (4) 2018 Financial Statement
- (5) 2018 earning distribution
- (6) Procedures for Acquisition or Disposal of Assets Comparison
- (7) Operational Procedures for Loaning Funds to Others Comparison
- (8) Management of Endorsement and Guarantees Comparison
- (9) Procedures for Election of Directors and supervisors Comparison

Taiwan Styrene Monomer Corporation 2018 Business Report

(1) Result

The company produce Styren 358,636 tons this year and complete the sales of 355,708 tons, in a value of TWD: 13.9 billion and 90.99 million dollars, with the value added by side product, the sales reaches TWD 14.8 billion 6.54 million dollars. The net profit after tax is TWD 1.2 billion 16.4 million dollars.

(2) Budget implementation

Unit: NT\$ 10,000

Item	Actual amount in 2018	Budget amount in 2018
Net value of operating income	1,480,654	1,250,683
Gross profit	197,697	115,198
Operating profit	169,572	91,854
Income before tax	156,877	87,484
Income after tax	121,640	72,040

(3) Earning power analysis

Analysis item	2018
Earning (loss) per share after tax/dollor	2.30
Rate of income after tax (%)	8.22%
Return on total assets (%)	12.56%
Return on equity for shareholders (%)	16.49%
Ratio of income before tax in paid-in capital (%)	29.72%

(4) R&D

The core business of the company is the manufacturing and sales of Styrene and the aim of the company is to promote new application to ensure the add value and the business transformation.

A. Develop the material used on electronic products and medical equipment, develop the powder raw material used on professional coating machine. The company has applied the patents of the products in Taiwan, China, America, and Japan and our products has been tested by international companies with reputation.

B. Except for the development of the above-mentioned raw material, the company also probe into the processing of applied products. The products proposed in 2018 has met the requirement of the 2D flexible big size PCB companies and has been established sales contacts from them.

C. Develop the advanced material to be applied in the field of battery and heat dissipation for special industry and hi-end customer. We also focus on the market differentiating, devoting to the R&D on process refinement.

(5) Our vision

Looking ahead to this 2019 year, the International Monetary Fund (IMF) reported this spring that the tightening of financial regulation on shadow banks, the intensification of U.S.-China trade, the decline in Chinese economic growth, the less than expected economic momentum in the TWD region, and the impact of Japan's economic growth on natural disasters. The IMF expects global economic growth rate this year from 3.7% to 107 in October, to 3.3%. In addition, the expansion of SM capacity in mainland China is 2.5 million tons and 3.64 million tons respectively, which will also have an impact on the SM market.

To this end, the company will strengthen profession, the SM Bottleneck project, in order to reduce production costs. In conjunction with the new four-light expansion plan of CNOOC, the SM expansion assessment work was carried out to enhance the competitiveness. In addition, at the same time, the slimming program, will be rectified to invest in the business body, to strengthen the overall competitive. The SM market is expected to remain afloat this year as IHS predicts that global SM demand is still 2.5% that most of the mainland's SM expansion is in production by the end of this year, and that this year's focus in the SM plant in Northeast Asia is concentrated in the second quarter. Therefore, the company's production and marketing strategy this year is still to set "full-production full sales" as the goal, SM manufacturing target of 359,240 tons, sales target at 359,000 tons. Production management to "industrial and security first, environmental priority" as the goal.

Verification Report by Auditor Committee

The Board has prepared the 2018 Business Report, Financial Statement(separate and consolidated) and the earning distribution proposal. The financial statement has been verified by Baker Tilly Clock & CO. and the others has been reviewed by the Auditors Committee of the Company.They've concluded that the documents has been well prepared according to related Laws.

Taiwan Styrene Monomer Corporation

Convenor : Jin-Chen Chien,

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Attachment 3

Taiwan Styrene Monomer Corporation
誠信經營守則部分條文修正對照表

Accountant's Audit Report

(一) No. 00101070A

To Taiwan Styrene Monomer Corporation:

Opinion

I have audited the separate financial statements of Taiwan Styrene Monomer Corporation, which comprise the separate statements of financial position as at 31 December 2018 and 31 December 2017, the separate statements of profit or loss and other comprehensive income from 1 January to 31 December 2018 and from 1 January to 31 December 2017, separate changes in equity and separate cash flows for the year then ended, and notes to the separate financial statements (including a summary of significant accounting policies).

In my opinion and based on my audit results and the audit reports by other accountants (please refer to the section of Others), the accompanying financial statements are properly drawn up in accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers so as to give a true and fair view of the financial position of the Taiwan Styrene Monomer Corporation as at 31 December 2018 and 31 December 2017 and of the financial performance, changes in equity and cash flows of Taiwan Styrene Monomer Corporation from 1 January to 31 December 2018 and from 1 January to 31 December 2017.

Basic for opinion

I conducted my audit in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards. My responsibilities under those standards are further described in the 'Accountant's responsibilities for the audit of the financial statements' section of our report. I am independent of Taiwan Styrene Monomer Corporation in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities, and I have fulfilled my other ethical

responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

The key audit matters refer to the most important matters in the audit of the 2018 separate financial statements of Taiwan Styrene Monomer Corporation based on professional accounting judgments. These matters have been dealt with in the process of checking the overall consolidated financial statements and forming a review opinion. The accountant does not express a separate opinion on these matters.

The key audit items of the 2018 separate financial statements of Taiwan Styrene Monomer Corporation are described as follows:

Impairment of Investments Accounted for Using Equity Method

Description for critical audit items

By Dec. 31, 2018, the net value of the Investments Accounted for Using Equity Method on the Separate Statement of Financial Position was 3,422,973,000 TWD. For related information, please refer to the Note 4, 5 and 14 of the Separate Financial Report. The management handled the process in accordance with Article 36 "Impairment of Assets" of IFRSs, and expects the collectible amount is more than the book value. Therefore, the recognized income from the reversal of impairment of Taiwan Styrene Monomer Corporation in 2018 was 19,834,000 TWD. When the management performs the evaluation of impairment, for that the amount of collectible accounts involved subjective judgement and belonged to accounting estimation of high uncertainty, they then have it be one of the critical items for review this year.

Correspondence to the Audit Procedure

The accountant mainly performs the following audit procedures:

1. To acquire the Asset Impairment Evaluation Form made by every cash generating unit in the Company;
2. To evaluate the reasonability of the traces of impairment identified by the management of Taiwan Styrene Monomer Corporation and consult them, and to review the

sensibility of the assumption made by them, including the division of cash generating units, cash flow prediction and discount rate.

Impairment of Property, Plant and Equipment

Description for critical audit items

By Dec. 31, 2018, the Property, Plant and Equipment on the Separate Statement of Financial Position was 2,667,126, 000 TWD. For related information, please refer to Note 4, 5 and 15 of the Separate Financial Statements. For the large amount of the Property, Plant and Equipment and the industry which Taiwan Styrene Monomer Corporation belong to is easy to be affected by factors such as international oil market, so the evaluation of the impairment of Property, Plant and Equipment is very important. The process of evaluation includes the identification of cash generating units, decision on evaluation methods, selecting important assumption and calculating the collectible amount. As it involved the subjective judgement of the management and belonged to accounting estimation of high uncertainty, the management then have it be one of the critical item for review this year.

Other issue(s)

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition.

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

The responsibilities of the governing body (including supervisors) include overseeing Taiwan Styrene Monomer Corporation's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

My 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 my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SSAs 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 in the basis of these financial statements.

As part of an audit in accordance with SSAs, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 controls.
2. Obtain an understanding of internal controls 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 Taiwan Styrene Monomer Corporation's internal controls.
3. Assess the appropriateness of management's use of accounting policies and the reasonability of the accounting estimate and relevant disclosure.
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 Taiwan Styrene Monomer Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 Taiwan Styrene Monomer Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements (including

the relevant notes), and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriated audit evidence of the financial information from the individual entity within Taiwan Styrene Monomer Corporation as well as express opinions towards financial statements. We are in charge of the directing, supervision, and execution on the audit cases for the group as well as concluding audit opinions on Taiwan Styrene Monomer Corporation.

We communicate with the governing body regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal controls that we identify during our audit).

We determined the key audit matters that we would like to executed on Taiwan Styrene Monomer Corporation's consolidated financial statements in 2018 from the communication with the governing unit. We clearly stated the related matters on the audit report unless it is the specific matter that is not allowed to be disclosed to the public according to laws, or under a very rare situation that we decided not to communicate specific matters on the audit report because we can reasonably anticipate the negative influence generated by the communication will be greater than the public interests increased.

B a k e r T i l l y C l o c k & C O

Accountant: Yin-Lai Chou

Accountant: Hsin-Liang Wu

Approval Document No.: (80) Tai Tsai Cheng (6) No.53585

Chin Kuan Cheng Liu Tzu No.09600000880

March 11, 2019

Taiwan Styrene Monomer Corporation

Separate Balance Sheet

Dec. 31, 2018 and Dec. 31, 2017

Unit: NT\$ 1,000

Asset		Note	Dec. 31, 2018		Dec. 31, 2017	
Code	Accounting items		Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	6	\$ 1,605,546	16	\$ 443,681	5
1110	Financial assets - current at Fair Value through Profit or Loss	7	103,820	1	—	—
1125	Available-for-sale financial assets - current	8	—	—	84,725	—
1170	Net accounts receivable	9	900,261	9	1,240,864	13
1200	Other accounts receivable	29	47,947	1	1,410	—
130x	Inventory	10	641,276	7	609,106	6
1410	Payments in advance	11	86,182	1	706,256	8
1478	Construction refundable deposits		—	—	10,000	—
11xx	Total of current assets		3,385,032	35	3,096,042	32
	Non-current assets					
1517	Financial assets measured at fair value through other comprehensive income - non-current	12	181,577	2	—	—
1543	Financial Assets Carried at Cost - non-current	13	—	—	117,264	1
1550	Investments Accounted for Using Equity Method	14	3,430,836	35	3,709,567	38
1600	Property, Plant and Equipment	15	2,667,126	27	2,724,081	28
1780	Intangible assets	16	9,266	—	10,574	—
1840	Deferred income tax assets	27	18,560	—	18,622	—
1920	Refundable deposits		3,962	—	3,962	—
1995	Other non-current assets - Other	17	38,183	1	51,246	1
15xx	Non-Total of current assets		6,349,510	65	6,635,316	68
1xxx	Totoal of assets		\$ 9,734,542	100	\$ 9,731,358	100

(The notes attached are part of the separate financial report.)

Taiwan Styrene Monomer Corporation

Separate Balance Sheet (continued)

Dec. 31, 2018 and Dec. 31, 2017

Unit: NT\$ 1,000

Liabilities and equity		Note	Dec. 31, 2018		Dec. 31, 2017	
Code	Accounting items		Amount	%	Amount	%
	Current liabilities					
2130	Contractual liability-current		\$ 97,508	1	\$ —	—
2150	Notes payable		—	—	5,834	
2170	Accounts payable		1,204,490	12	1,104,735	11
2200	Other accounts payable	18	272,002	3	206,054	2
2230	Income tax liability		238,236	2	186,856	2
2310	Advance Receipts		—	—	7,830	—
2320	Long term liabilities due within one year	20	88,880	1	223,826	3
2399	Other current liabilities- Other	19	3,509	—	3,752	—
21xx	Total of current liabilities		1,904,625	19	1,738,887	18
	Non-current liabilities					
2540	Long-term loan	20	111,100	1	438,110	5
2570	Deferred incom tax liabilities	27	173,509	2	173,509	2
2640	Net defined benefit liability - non-current	21	74,126	1	92,921	—
2650	Credit Balance of Investments Accounted for Using Equity Method	14	7,863	—	—	—
25xx	Total of non-current liabilities		366,598	4	704,540	7
2xxx	Total of liabilities		2,271,223	23	2,443,427	25
3100	Stock capital	22 (1)	5,278,698	54	5,278,698	54
3200	Capital reserve	22 (2)	60,415	1	68,142	1
3300	Retained earnings		2,546,063	26	1,843,580	19
3310	Legal reserve	22 (3)	409,609	4	307,466	3
3320	Special capital reserve	22 (4)	8,811	—	157,923	2
3350	Retained earnings to be distributed		2,127,643	22	1,378,191	14
3400	Other equity	20 (6)	(421,857)	(4)	97,511	1
3410	Exchange differences on translating the financial statements of foreign operations		(2,298)	—	(3,754)	—
3420	Unrealized Gain or Loss Measured at Fair Value through Profit or Loss		(419,559)	(4)	—	—
3425	Unrealized Gain or Loss on Available-for-sale Financial Assets		—	—	101,265	1
3xxx	Total of Equity		7,463,319	77	7,287,931	75
	Total of liabilities and equity		\$ 9,734,542	100	\$ 9,731,358	100

(The notes attached are part of the separate financial report.)

Chairperson: Yi-Ching Wu

Manager: Ching-tien Wu

Accounting manager: Jasom Chou

Taiwan Styrene Monomer Corporation

Separate Statement of Comprehensive Income

From Jan. 1 to Dec. 31, 2018 and from Jan. 1 to Dec. 31, 2017 Unit: NT\$ 1,000

Code	Item	Note	2018		2017	
			Amount	%	Amount	%
4000	Operating income		\$ 14,806,544	100	\$ 14,015,626	100
5000	Operating cost		(12,829,579)	(87)	(12,373,093)	(88)
5950	Net value of gross profit (loss)		1,976,965	13	1,642,533	12
6000	Operating expenses		(281,249)	(2)	(224,302)	(2)
6100	Marketing expenses		(52,089)	—	(33,261)	—
6200	Administration expenses		(185,250)	(2)	(160,863)	(2)
6300	R&D Expense		(43,865)	—	(30,178)	—
6450	Expected credit impairment loss		(45)	—	—	—
6900	Operating profit (loss)		1,695,716	11	1,418,231	10
7000	Non-operating income and expenses		(126,945)	—	(107,984)	(1)
7010	Other income	24	22,274	—	18,781	—
7020	Other profit and loss	25	(69,513)	—	39,138	—
7050	Financial costs	26	(7,508)	—	(13,207)	—
7070	Shares of the profit and loss of subsidiaries and affiliates recognized using equity method		(72,198)	—	(152,696)	(1)
7900	Net profit before tax (net loss)		1,568,771	11	1,310,247	9
7950	Income tax (expense) income	27	(352,370)	(2)	(254,498)	(2)
8200	Net income (loss) of this term		1,216,401	9	1,055,749	7
	Other comprehensive income					
8310	Items which are not re-classified into profit or loss					
8311	Remeasurement of defined benefit plans	21	20,931	—	(34,989)	—
	Unrealized valuation of profit or loss of investment in equity instruments measured at fair value through other comprehensive income		(5,050)	—	—	—
8316	Shares of other comprehensive income of subsidiaries and affiliates recognized using equity method — Items which are not re-classified into profit or loss		(193,922)	(2)	377	—
8330	Income tax related to items which are not going to be re-classified.		(3,249)	—	5,948	—
8349	Following items which might be reclassified into profit or loss					
8360	Exchange differences on translating the financial statements of foreign operations		1,453	—	(3,588)	—
8361	Unrealized gains (losses) on available-for-sale financial assets		—	—	771	—
8362	Shares of other comprehensive income of subsidiaries and affiliates recognized using equity method — Items which might be reclassified into profit or loss		3	—	249,441	2
8380	Net value of other comprehensive income		(179,834)	(2)	217,960	2
8500	Net value of the comprehensive income this term		\$ 1,036,567	7	\$ 1,273,709	9
9750	Basic earnings per share (loss)	28	2.30 TWD		2.00 TWD	
9850	Diluted earnings per share (loss)	28	2.30 TWD		1.99 TWD	

(The notes attached are part of the separate financial report.)

Chairperson: Yi-Ching Wu

Manager: Ching-tien Wu

Accounting manager: Jasom Chou

Taiwan Styrene Monomer Corporation Separate Statement of Stockholders Equity

From Jan. 1 to Dec. 31, 2018 and from Jan. 1 to Dec. 31, 2017

Unit: NT\$ 1,000

Item	Stock capital	Capital reserve	Retained earnings			Other equity items			Total
			Legal reserve	Special capital reserve	Retained earnings to be distributed	Exchange differences on translating the financial statements of foreign operations	Unrealized gains (losses) on available-for-sale financial assets	Unrealized valuation of profit (loss) of financial assets measured at fair value through other comprehensive income	
Balance on Jan. 1, 2017	\$ 5,278,698	\$ 70,339	\$ 167,155	\$ 284,751	\$ 1,531,537	\$ 8,967	\$ (158,080)	\$ —	\$ 7,183,367
Legal reserves	—	—	140,311	—	(140,311)	—	—	—	—
Common stock cash dividends	—	—	—	—	(1,161,314)	—	—	—	(1,161,314)
Special capital reserve allowance	—	—	—	(126,828)	126,828	—	—	—	—
Change in the affiliates and joint-ventures recognized using equity method	—	357	—	—	(5,655)	—	—	—	(5,298)
Difference between the share prices and book values of actually acquired or disposed subsidiaries	—	(296)	—	—	—	—	—	—	(296)
Change in the equity of the ownership of subsidiaries	—	(2,258)	—	—	—	—	—	—	(2,258)
Net income	—	—	—	—	1,055,749	—	—	—	1,055,749
Other comprehensive income	—	—	—	—	(28,664)	(12,721)	259,345	—	217,960
Total of comprehensive income	—	—	—	—	1,027,085	(12,721)	259,345	—	1,273,709
Other	—	—	—	—	21	—	—	—	21
Balance on Dec.31, 2017	5,278,698	68,142	307,466	157,923	1,378,191	(3,754)	101,265	—	7,287,931
Amount affected by retrospective applications and re-classification	—	—	—	—	281,392	—	(101,265)	(190,286)	(10,159)
Balance after adjustment on Jan. 1, 2018	5,278,698	68,142	307,466	157,923	1,659,583	(3,754)	—	(190,286)	7,277,772
Legal reserves	—	—	102,143	—	(102,143)	—	—	—	—
Common stock cash dividends	—	—	—	—	(844,592)	—	—	—	(844,592)
Special capital reserve allowance	—	—	—	(149,112)	149,112	—	—	—	—
Change in the affiliates and joint-ventures recognized using equity method	—	(1,073)	—	—	1,272	—	—	—	199
Difference between the share prices and book values of actually acquired or disposed subsidiaries	—	(6,654)	—	—	—	—	—	—	(6,654)
Disposal of equity instruments measured at fair value through other comprehensive income	—	—	—	—	30,336	—	—	(30,336)	—
Net income	—	—	—	—	1,216,401	—	—	—	1,216,401
Other comprehensive income	—	—	—	—	17,647	1,456	—	(198,937)	(179,834)
Total of comprehensive income	—	—	—	—	1,234,048	1,456	—	(198,937)	1,036,567
Other	—	—	—	—	27	—	—	—	27
Balance on Dec. 31, 2018	\$ 5,278,698	\$ 60,415	\$ 409,609	\$ 8,811	\$ 2,127,643	\$ (2,298)	\$ —	\$ (419,559)	\$ 7,463,319

Note: From Jan. 1 to Dec. 31, 2018 and from Jan. 1 to Dec. 31, 2017, a employee of the company respectively had the compensation of NT\$ 33,086 and NT\$ 27,440, and the compensation for directors and supervisors were respectively NT\$ 41,073 and 41,073 34,430. The compensations were respectively deducted from the consolidated income statement.

(The notes attached are part of the separate financial report.)

Chairperson: Yi-Ching Wu

Manager: Ching-tien Wu

Accounting manager: Jason Chou

Taiwan Styrene Monomer Corporation

Separate Statement of Cash Flows

From Jan. 1 to Dec. 31, 2018 and from Jan. 1 to Dec. 31, 2017

Unit: NT\$ 1,000

Item	2018	2017
	Amount	Amount
Net cash flow from operating activities :		
Net profit before tax	\$ 1,568,771	\$ 1,310,247
Items of adjustment:		
Depreciation expense	193,468	182,874
Amortization fee	57,990	64,261
Expected credit impairment loss	45	—
Net loss on financial assets measured at Fair Value through Profit or Loss	49,084	—
Interest expense	7,508	13,207
Interest income	(4,168)	(706)
Dividend income	(7,881)	(1,678)
Shares of the profit and loss of subsidiaries and affiliates recognized using equity method	72,198	152,696
Amount of Property, Plant and Equipment listed as expenses	—	34,849
Gain on disposal of investment	21,204	(6,757)
Impairment loss of financial assets	—	16,000
Loss which does not belong to the impairment loss of financial assets	(19,312)	4,000
Loss on inventory price falling, retirement and obsolescence (gain from price recovery)	3,567	(436)
Change in assets/liabilities related to operating activities		
Increase/decrease of financial assets forced to be measured at Fair Value through Profit or Loss	(68,179)	—
Decrease (increase) in accounts receivable	340,558	(346,567)
Decrease (increase) in other accounts receivable	(28,897)	(407)
Decrease (increase) in inventory	(59,750)	(131,310)
Decrease (increase) in payments in advance	605,461	48,547
Decrease (increase) in other financial assets	—	(10,000)
Decrease (increase) in contract liabilities	97,508	—
Decrease (increase) in notes payable	(5,835)	577
Decrease (increase) in accounts payable	99,757	(581,204)
Other decrease (increase) in accounts payable	66,508	(62,073)
Decrease (increase) in Advance Receipts	(7,830)	—
Decrease (increase) in other current liabilities	(243)	(161)
Increase in net defined benefit liability	2,137	2,049
Cash in flow generated by operating activities	2,983,669	688,008
Interests received	3,900	706
Paid interests	(7,906)	(13,374)
Paid dividends	(162)	(145)
Income tax returned (paid)	(304,177)	(220,147)
Net cash outflow from operating activities	2,675,324	455,048

Taiwan Styrene Monomer Corporation

Separate Statement of Cash Flows (continued)

From Jan. 1 to Dec. 31, 2018 and from Jan. 1 to Dec. 31, 2017

Unit: NT\$ 1,000

Item	2018	2017
	Amount	Amount
Net cash flow in investing activities :		
Acquired financial assets measured at fair value through other comprehensive income	\$ (71,690)	\$ —
Returned payment for shares due to capital reduction of financial assets measured at fair value through other comprehensive income	6,273	—
Acquisition of available-for-sale financial assets	—	(108,616)
Disposal of available-for-sale financial assets	—	31,253
Disposal of Financial Assets Carried at Cost	—	2,653
Acquisition of Investments Accounted for Using Equity Method	—	(86,716)
Payment for shares returned due to capital reduction of the invested company accounted for using equity method	—	92,129
Acquisition of real estate, plant and equipment	(127,191)	(94,809)
Refundable deposits (increase)	10,000	(2,000)
Other accounts receivable— decrease (increase) of related parties	(9,492)	—
Prepayment for equipment (increase)	(9,283)	(2,376)
Other payments in advance (increase)	(5,554)	(5,031)
Dividend received	—	1,678
Net cash inflow (outflow) in investing activities	(206,937)	(171,835)
Cash flows in fundraising activities :		
Long-term loan repayment	(461,956)	(223,826)
Increase of guarantee deposits	—	1,140
Issuance of cash dividends	(844,592)	(1,161,314)
Other financing activities	26	21
Net cash inflow (outflow) in financing activities	(1,306,522)	(1,383,979)
Increase (decrease) of cash and cash equivalents	1,161,865	(1,100,766)
Balance of cash and cash equivalents at the beginning of the term	443,681	1,544,447
Balance of cash and cash equivalents at the end of the term	\$ 1,605,546	\$ 443,681

(The notes attached are part of the separate financial report.)

Chairperson: Yi-Ching Wu

Manager: Ching-tien Wu

Accounting manager: Jasom Chou

Accountant's Audit Report

No. 00101070CA

To Taiwan Styrene Monomer Corporation:

Opinion

I have audited the financial statements of Taiwan Styrene Monomer Corporation, which comprise the statements of financial position as at 31 December 2018 and 31 December 2017, the statements of profit or loss and other comprehensive income from 1 January to 31 December 2018 and from 1 January to 31 December 2017, changes in equity and cash flows for the year then ended, and notes to the financial statements (including a summary of significant accounting policies).

In my opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, explanations and announcements of explanation approved and announced by the Financial Supervisory Commission so as to give a true and fair view of the financial position of Taiwan Styrene Monomer Corporation as at 31 December 2018 and 31 December 2017 and of the financial performance, changes in equity and cash flows of Taiwan Styrene Monomer Corporation from 1 January to 31 December 2018 and from 1 January to 31 December 2017.

Basic for opinion

I conducted my audit in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards. My responsibilities under those standards are further described in the 'Accountant's responsibilities for the audit of the financial statements' section of our report. I am independent of Taiwan Styrene Monomer Corporation in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe

that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

The key audit matters refer to the most important matters in the audit of the 2018 consolidated financial statements of Taiwan Styrene Monomer Corporation and its subsidiaries based on professional accounting judgments. These matters have been dealt with in the process of checking the overall consolidated financial statements and forming a review opinion. The accountant does not express a separate opinion on these matters.

The accountant's audit procedures for the above-mentioned matters include:

Investments Accounted for Using Equity Method Impairment

Remark

As of the 2018 of the Republic of China, the Investments of Statement of Financial position were merged accounted for use Equity Method is 1,587,855 TWD, please refer to notes 4 or 5 and 16 of the consolidated financial report for information. Management in accordance with the international accounting quasi-36th financial "asset impairment" provisions, it is expected that its recoverable amount is greater than the book amount, so Taiwan styrene Monomer Corporation and its subsidiaries in 2018 identified a derogation from the rotary interests of 19,834 TWD. When management makes a derogation assessment, it is a key Check for the current year because its recyclable amount involves subjective judgement and is a highly uncertain accounting estimate.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, explanations and announcements of explanation approved and announced by the Financial

Supervisory Commission, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition.

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

The responsibilities of the governing body (including the audit committee) include overseeing Taiwan Styrene Monomer Corporation's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

My 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 my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SSAs 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 in the basis of these financial statements.

As part of an audit in accordance with SSAs, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 controls.

2. Obtain an understanding of internal controls 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 internal control effectiveness of Taiwan Styrene Monomer Corporation and its subsidiaries.
3. Assess the appropriateness of management's use of accounting policies and the reasonability of the accounting estimate and relevant disclosure.
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 ability of Taiwan Styrene Monomer Corporation and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 Taiwan Styrene Monomer Corporation and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements (including the relevant notes), and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriated audit evidence of the financial information from the individual entity within Taiwan Styrene Monomer Corporation and its subsidiaries as well as express opinions towards financial statements. We are in charge of the directing, supervision, and execution on the audit cases for Taiwan Styrene Monomer Corporation and its subsidiaries as well as concluding audit opinions on the group.

We communicate with the governing body regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal controls that we identify during our audit).

We determined the key audit matters that we would like to executed on the consolidated financial statements of Taiwan Styrene Monomer

Corporation and its subsidiaries in 2018 from the communication with the governing unit. We clearly stated the related matters on the audit report unless it is the specific matter that is not allowed to be disclosed to the public according to laws, or under a very rare situation that we decided not to communicate specific matters on the audit report because we can reasonably anticipate the negative influence generated by the communication will be greater than the public interests increased.

B a k e r T i l l y C l o c k & C O

Accountant: Yin-Lai Chou

Accountant: Hsin-Liang Wu

Approval Document No.: (80) Tai Tsai Cheng (6) No. 53585

Chin Kuan Cheng Liu Tzu No. 09600000880

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Taiwan Styrene Monomer Corporation and Its Subsidiaries

Consolidated Balance Sheet

Dec. 31, 2018 and Dec. 31, 2017

Unit: NT\$ 1,000

Asset		Note	Dec. 31, 2018		Dec. 31, 2017	
Code	Accounting Items		Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	6	\$ 2,122,960	20	\$ 1,030,344	9
1110	Financial assets measured at Fair Value through Profit or Loss-current	7	141,830	1	67,098	1
1125	Available-for-sale financial assets-current	8	—	—	211,805	2
1150	Net value of notes receivable		21	—	2,308	—
1170	Net accounts receivable	9	947,584	9	1,329,487	12
1190	Construction contract accounts receivable	10	—	—	2,935	—
1200	Other accounts receivable		35,647	—	3,852	—
130x	Inventory	11	709,853	7	675,527	6
1410	Payments in advance	12	154,522	2	760,081	7
1470	Other current assets		489	—	1,570	—
1476	Other financial assets - current	13	16,937	—	48,721	1
11xx	Total of current assets		4,129,843	39	4,133,728	38
	Non-current assets					
1510	Financial assets measured at Fair Value through Profit or Loss - non-current	7	17,144	—	—	—
1517	Financial assets measured at fair value through other comprehensive income - non-current	14	304,917	3	—	—
1523	Available-for-sale financial assets - non-current	8	—	—	33,400	—
1543	Financial Assets Carried at Cost - non-current	15	—	—	304,956	3
1550	Investments Accounted for Using Equity Method	16	1,587,855	15	1,785,461	17
1600	Property, Plant and Equipment	17	4,133,895	40	4,185,851	38
1760	Net value of investment property	18	144,361	2	231,839	2
1780	Intangible assets	19	16,099	—	16,518	—
1840	Deferred income tax assets	33	33,172	—	32,886	—
1915	Prepayment for equipment		20,439	—	16,402	—
1970	Other long-term investments	20	38,436	—	41,477	1
1980	Other financial assets - non-current	13	7,670	—	37,787	—
1995	Other non-current assets - Other	21	76,215	1	104,386	1
15xx	Non-Total of current assets		6,380,203	61	6,790,963	62
1xxx	Total of assets		\$ 10,510,046	100	\$ 10,924,691	100

(The notes attached are part of the consolidated financial report.)

Taiwan Styrene Monomer Corporation and Its Subsidiaries

Consolidated Balance Sheet (continued)

Dec. 31, 2018 and Dec. 31, 2017

Unit: NT\$ 1,000

Liabilities and equity		Note	Dec. 31, 2018		Dec. 31, 2017	
Code	Accounting Items		Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	22	\$ 312,885	3	\$ 357,500	3
2130	Contractual liability-current		128,851	1	—	—
2150	Notes payable		9,678	—	22,177	—
2170	Accounts payable		1,229,326	12	1,146,271	11
2200	Other accounts payable	23	344,116	4	291,528	3
2230	Income tax liability		243,073	2	188,106	2
2310	Advance Receipts		—	—	38,605	—
2320	Long term liabilities due within one year	25	115,164	1	278,443	3
2399	Other current liabilities- Other	24	10,270	—	20,869	—
21xx	Total of current liabilities		2,393,363	23	2,343,499	22
	Non-current liabilities					
2540	Long-term loan	25	140,902	1	731,921	7
2570	Deferred incom tax liabilities	33	173,509	2	173,509	1
2640	Net defined benefit liability - non-current	26	74,126	1	92,921	1
2670	Other non-current liabilities- Other	24	10,732	—	10,579	—
25xx	Total of non-current liabilities		399,269	4	1,008,930	9
2xxx	Total of liabilities		2,792,632	27	3,352,429	31
	Equity belongs to the owner of the parent company					
3100	Stock capital	27 (1)	5,278,698	50	5,278,698	48
3200	Capital reserve	27 (2)	60,415	1	68,142	1
3300	Retained earnings		2,546,063	24	1,843,580	17
3310	Legal reserve	27 (3)	409,609	4	307,466	3
3320	Special capital reserve	27 (4)	8,811	—	157,923	1
3350	Retained earnings to be distributed		2,127,643	20	1,378,191	13
3400	Other equity	27 (6)	(421,857)	(4)	97,511	1
3410	Exchange differences on translating the financial statements of foreign operations		(2,298)	—	(3,754)	—
3420	Unrealized gain or loss on financial assets measured at FVOCI		(419,559)	(4)	—	—
3425	Unrealized Gain or Loss on Available-for-sale Financial Assets		—	—	101,265	1
31xx	Equity belongs to the owner of the parent company		7,463,319	71	7,287,931	67
36xx	Non-controlling interest	27 (7)	254,095	2	284,331	2
3xxx	Total of Equity		7,717,414	73	7,572,262	69
	Total of liabilities and equity		\$ 10,510,046	100	\$ 10,924,691	100

(The notes attached are part of the consolidated financial report.)

Chairperson: Yi-Ching Wu

Manager: Ching-tien Wu

Accounting manager: Jasom Chou

Taiwan Styrene Monomer Corporation and Its Subsidiaries

Consolidated Statement of Comprehensive Income

From Jan. 1 to Dec. 31, 2018 and from Jan. 1 to Dec. 31, 2017 Unit: NT\$ 1,000

Code	Item	Note	2018		2017	
			Amount	%	Amount	%
4000	Operating income	28	\$ 15,382,654	100	\$ 14,750,826	100
5000	Operating cost		(13,405,660)	(87)	(13,061,610)	(89)
5950	Net value of gross profit (loss)		1,976,994	13	1,689,216	11
6000	Operating expenses		(441,995)	(3)	(406,553)	(2)
6100	Marketing expenses		(60,180)	—	(46,885)	—
6200	Administration expenses		(345,196)	(3)	(329,941)	(2)
6300	R&D expenses		(36,390)	—	(29,727)	—
6450	Expected credit impairment loss		(229)	—	—	—
6900	Operating profit (loss)		1,534,999	10	1,282,663	9
7000	Non-operating income and expenses		12,666	—	(36,525)	—
7010	Other income	30	48,808	—	57,437	1
7020	Other profit and loss	31	(63,285)	—	(75,946)	(1)
7050	Financial costs	32	(18,516)	—	(28,823)	—
7060	Shares of profit (loss) of the affiliates accounted for using equity method		45,659	—	10,807	—
7900	Net profit before tax (net loss)		1,547,665	10	1,246,138	9
7950	Income tax (expense) income	33	(360,871)	(2)	(261,545)	(2)
8200	Net income (loss) of this term		1,186,794	8	984,593	7
	Other comprehensive income					
8310	Items which are not re-classified into profit or loss					
8311	Remeasurement of defined benefit plan	26	20,896	—	(34,608)	(1)
8316	Unrealized gain or loss of investment in equity instruments measured at FVOCI		25,711	—	—	—
8320	Shares of profit (loss) of the affiliates and shares of other comprehensive income of joint ventures accounted for using equity method		(224,600)	(1)	—	—
8349	Income tax related to items which is not going to be re-classified	33	(3,250)	—	5,948	—
8360	Following items which might be reclassified into profit or loss					
8361	Exchange differences on translating the financial statements of foreign operations		1,183	—	(15,716)	—
8362	Unrealized valuation loss on available-for-sale financial assets		—	—	273,410	2
8370	Shares of profit (loss) of OCI of the affiliates accounted for using equity method		(426)	—	(14,421)	—
8300	Net value of other comprehensive income		(180,486)	(1)	214,613	1
8500	Net value of the comprehensive income this term		\$ 1,006,308	7	\$ 1,199,206	8
8600	The net profits belong to the owner of the company					
8610	Owner of the parent company		\$ 1,216,401	8	\$ 1,055,749	7
8620	Non-controlling interest		(29,607)	—	(71,156)	—
			\$ 1,186,794	8	\$ 984,593	7
8700	The total amount of comprehensive income belongs to:					
8710	Owner of the parent company		\$ 1,036,567	7	\$ 1,273,709	9
8720	Non-controlling interest		(30,259)	—	(74,503)	(1)
			\$ 1,006,308	7	\$ 1,199,206	8
9750	Basic earnings per share (loss)	34				
9710	Net income (loss) of continuing operations		2.30 TWD		2.00 TWD	
9850	Diluted earnings per share (loss)	34				
9810	Net income (loss) of continuing operations		2.30 TWD		1.99 TWD	

(The notes attached are part of the consolidated financial report.)

Chairperson: Yi-Ching Wu

Manager: Ching-tien Wu

Accounting manager: Jasom Chou

Taiwan Styrene Monomer Corporation and Its Subsidiaries Consolidated Statement of Stockholders Equity

From Jan. 1 to Dec. 31, 2018 and from Jan. 1 to Dec. 31, 2017

Unit: NT\$ 1,000

Item	The equity belongs to the owner of the parent company										Non-controlling equity	Total of equity
	Stock capital	Capital reserve	Retained earnings			Other equity items			Total			
			Legal surplus reserve	Special surplus reserve	Retained earnings	Exchange differences on translating the financial statements of foreign operations	Unrealized gain or loss of available-for-sale financial assets	Unrealized gain or loss of Returned payment for shares due to capital reduction of financial assets measured at fair value through other comprehensive income				
Balance on Jan. 1, 2017	\$ 5,278,698	\$ 70,339	\$ 167,155	\$ 284,751	\$ 1,531,537	\$ 8,961	\$ (158,084)	\$ —	\$ 7,183,367	\$ 366,766	\$ 7,550,133	
Legal reserves	—	—	140,311	—	(140,311)	—	—	—	—	—	—	
Common stock cash dividends	—	—	—	—	(1,161,314)	—	—	—	(1,161,314)	—	(1,161,314)	
Special capital reserve allowance	—	—	—	(126,828)	126,828	—	—	—	—	—	—	
Change in shares of profit (loss) of the affiliates accounted for using equity method	—	357	—	—	(5,655)	—	—	—	(5,298)	—	(5,298)	
Total consolidated profit and loss	—	—	—	—	1,055,749	—	—	—	1,055,749	(71,156)	984,593	
Other comprehensive income	—	—	—	—	(28,664)	(12,721)	259,345	—	217,960	(3,347)	214,613	
Total of comprehensive income	—	—	—	—	1,027,085	(12,721)	259,345	—	1,273,709	(74,503)	1,199,206	
Difference between the share prices and book values of actually acquired or disposed subsidiaries	—	(296)	—	—	—	—	—	—	(296)	296	—	
Change in the equity of the ownership of subsidiaries	—	(2,258)	—	—	—	—	—	—	(2,258)	2,258	—	
Increase or decrease of non-controlling interests	—	—	—	—	—	—	—	—	—	(10,486)	(10,486)	
Other	—	—	—	—	21	—	—	—	21	—	21	
Balance on Dec.31, 2017	5,278,698	68,142	307,466	157,923	1,378,191	(3,754)	101,265	—	7,287,931	284,331	7,572,262	
Amount affected by retrospective applications and re-classification	—	—	—	—	281,392	—	(101,265)	(190,286)	(10,159)	23	(10,136)	
Balance after adjustment on Jan. 1, 2018	5,278,698	68,142	307,466	157,923	1,659,583	(3,754)	—	(190,286)	7,277,772	284,354	7,562,126	
Legal reserves	—	—	102,143	—	(102,143)	—	—	—	—	—	—	
Common stock cash dividends	—	—	—	—	(844,592)	—	—	—	(844,592)	—	(844,592)	
Special capital reserve allowance	—	—	—	(149,112)	149,112	—	—	—	—	—	—	
Change in the affiliates and joint-ventures recognized using equity method	—	(1,073)	—	—	1,272	—	—	—	199	—	199	
Net income	—	—	—	—	1,216,401	—	—	—	1,216,401	(29,607)	1,186,794	
Other comprehensive income	—	—	—	—	17,647	1,456	—	(198,937)	(179,834)	(652)	(180,486)	
Total of comprehensive income	—	—	—	—	1,234,048	1,456	—	(198,937)	1,036,567	(30,259)	1,006,308	
Difference between the share prices and book values of actually acquired or disposed subsidiaries	—	(6,654)	—	—	—	—	—	—	(6,654)	—	(6,654)	
Disposal of equity instruments measured at fair value through other comprehensive income	—	—	—	—	30,336	—	—	(30,336)	—	—	—	
Other	—	—	—	—	27	—	—	—	27	—	27	
Balance on Dec. 31, 2018	\$ 5,278,698	\$ 60,415	\$ 409,609	\$ 8,811	\$ 2,127,643	\$ (2,294)	\$ —	\$ (419,559)	\$ 7,463,314	\$ 254,095	\$ 7,717,414	

(The notes attached are part of the consolidated financial report.)

Chairperson: Yi-Ching Wu

Manager: Ching-tien Wu

Accounting manager: Jason Chou

Taiwan Styrene Monomer Corporation and Its Subsidiaries

Consolidated Statement of Cash Flows

From Jan. 1 to Dec. 31, 2018 and from Jan. 1 to Dec. 31, 2017

Unit: NT\$ 1,000

Item	2018	2017
	Amount	Amount
Net cash flow from operating activities :		
Net profit before tax (net loss)	\$ 1,547,665	\$ 1,246,138
Items of adjustment:		
Depreciation expense	266,527	285,909
Amortization fee	78,876	85,484
Expected credit impairment loss	229	—
Bad debt expenses recognized as income	—	65
Net loss (income) of financial assets and liabilities measured at		
FVPL	83,736	5,811
Interest expense	18,516	28,823
Interest income	(7,514)	(3,346)
Dividend income	(11,554)	(11,070)
Shares of loss (profit) of the affiliates accounted for using equity		
method	(39,280)	(16,729)
Loss (profit) on the disposal of Property, Plant and Equipment	(2,048)	388
Amount of Property, Plant and Equipment listed as expenses	—	34,849
Loss (profit) on the disposal of investment property	(7,440)	—
Gain on disposal of investment	21,204	(6,388)
Impairment loss of financial assets	—	29,856
Reversal of impairment loss of financial assets	(19,834)	—
Loss which does not belong to the impairment loss of financial		
assets	3,858	86,305
Losses on inventory price falling, retirement and obsolescence loss		
(gain from price recovery)	29,238	12,515
Other items	(10,116)	13,689
Change in assets/liabilities related to operating activities		
Decrease (increase) of financial assets held for transactions	—	(68,120)
Increase/decrease of financial assets forced to be measured at Fair		
Value through Profit or Loss	69,593	—
Decrease (increase) in notes receivable	2,286	(1,743)
Decrease (increase) in accounts receivable	381,928	(313,418)
Decrease (increase) in construction contract accounts receivable	2,935	12,180
Decrease (increase) in other accounts receivable	(18,839)	8,102
Decrease (increase) in inventory	(86,730)	(144,301)
Decrease (increase) in payments in advance	591,392	56,925
Decrease (increase) in other current assets	1,012	(311)
Decrease (increase) in other financial assets	21,786	(5,505)
Decrease (increase) in contract liabilities	128,851	—
Decrease (increase) in notes payable	(12,499)	643
Decrease (increase) in accounts payable	87,724	(600,545)
Decrease (increase) in construction contract accounts payable	—	(28)
Other decrease (increase) in accounts payable	52,277	(85,343)
Increase (decrease) in Advance Receipts	(45,867)	(3,986)
Increase (decrease) in other current liabilities	(1,440)	(5,490)
Increase (decrease) in increase in net defined benefit liability	2,137	2,049
Cash inflow (outflow) generated by operating activities	3,128,609	643,408
Interests received	8,099	3,424
Dividend received	2,618	—
Paid interests	(19,665)	(29,131)
Paid dividends	(162)	(145)
Income tax returned (paid)	(309,370)	(227,841)
Net cash inflow (outflow) from operating activities	2,810,129	389,715

Taiwan Styrene Monomer Corporation and Its Subsidiaries

Consolidated Statement of Cash Flows (continued)

From Jan. 1 to Dec. 31, 2018 and from Jan. 1 to Dec. 31, 2017

Unit: NT\$ 1,000

Item	2018	2017
	Amount	Amount
Net cash flow in investing activities :		
Acquisition of available-for-sale financial assets	\$ —	\$ (268,540)
Disposal of available-for-sale financial assets	—	234,513
Disposal of Financial Assets Carried at Cost	—	1,188
Payment for shares returned due to capital reduction of Financial Assets Carried at Cost	—	3,740
Acquired financial assets measured at fair value through other comprehensive income	(215)	—
Disposal of financial assets measured at fair value through other comprehensive income	16,262	—
Returned payment for shares due to capital reduction of financial assets measured at fair value through other comprehensive income	6,273	—
Returned payment for shares due to capital reduction of the invested company accounted for using equity method	—	39,506
Acquisition of real estate, plant and equipment	(200,158)	(150,468)
Disposition of real estate, plant and equipment	2,175	36
Decrease (increase) in refundable deposits	38,997	(1,838)
Decrease (increase) in other accounts receivable	—	51,441
Other accounts receivable—decrease (increase) of related parties	(4,934)	—
Acquisition of intangible assets	(1,905)	(5,829)
Acquisition of investment property	—	(248)
Disposal of investment property	89,321	—
Prepayment for equipment (increase)	(14,268)	(14,595)
Other payments in advance (increase)	(5,553)	(5,032)
Dividend received	1,054	11,070
Decease (increase) of other investing activities	(1,553)	(22,402)
Net cash outflow in investing activities	(74,504)	(127,458)
Cash flows in fundraising activities :		
Increase (decrease) in short-term loans	(50,120)	25,000
Long-term loan repayment	(754,299)	(275,033)
Increase (decrease) in guarantee deposits	1,120	7,333
Other accounts payable—Increase (decrease) in related parties	—	(16,125)
Increase in other non-current liabilities	190	1,334
Issuance of cash dividends	(844,592)	(1,161,314)
Acquisition of the shares of subsidiaries	—	(12,492)
Change in non-controlling interest	—	2,006
Other financing activities	27	21
Net cash inflow (outflow) in financing activities	(1,647,674)	(1,429,270)
Impact of change in exchange rate on cash and cash equivalents	(841)	(2,598)
Increase (decrease) of cash and cash equivalents	1,087,110	(1,169,611)
Balance of cash and cash equivalents at the beginning of the term	1,030,344	2,199,955
Balance of cash and cash equivalents at the end of the term	2,117,454	1,030,344
Bank overdraft	5,506	—
Cash and cash equivalents recognized in Consolidated Statement of Financial Position	\$ 2,122,960	\$ 1,030,344

(The notes attached are part of the consolidated financial report.)

Chairperson: Yi-Ching Wu

Manager: Ching-tien Wu

Accounting manager: Jasom Chou

Taiwan Styrene Monomer Corporation
Disposition of Net Earnings 2018

Item	Unit: NT\$ Amount
Retained earnings to be distributed at the beginning of the term	580,568,607
Amount affected by retained earnings accounted for using IFRSs ⁹	281,392,499
Plus: Income after tax	1,216,400,943
Other comprehensive income (actuarial gains and losses on defined benefit plan)	17,646,616
Change in affiliates and joint ventures accounted for using equity method	1,271,600
Disposal of financial assets measured at FVOCI	30,336,532
Cash dividends on returned payment for odd lots	26,377
Total of distributable earnings	2,127,643,174
Legal reserves	(121,640,094)
Recognized special capital reserve	(421,857,342)
Deduction: distribution items	
Shareholder bonus (Cash dividends 2 TWD per share)	1,055,739,528
Retained earnings to be distributed at the end of the term	528,406,210

Note: 1. The smallest cash dividend shall be 1 TWD. The total of odd lots of which the dividends are respectively less than 1 TWD will be returned to retained earnings.

2. According to the provision of Chin-Kuan-Cheng-Fa-Tzu No. 1010012865, after you start to prepare financial statements with the adoption of International Financial Reporting Standards, you shall recognize a special capital reserve from the income and retained earnings to be distributed with the same amount as the net value of the deduction items of other recognized shareholder's equity generated in the fiscal year (e.g. the accumulated amount of exchange differences on translating the financial statements of foreign operations, unrealized gain or loss on available-for-sale financial assets, gain or loss on hedge instruments which are effective in cash flow hedges). For the deduction amount of other shareholders' equity accumulated in the last term, you shall recognize the same amount of special capital reserve without distribution from the distributable retained earnings in the last term. However, for a company that has recognized the special capital reserve following the former paragraph, it shall further draw a supplementary special capital reserve which equals to the difference between its recognized amount and the net value of the deduction items of other equity. Later when the balance of other shareholders' equity deduction items can be reversed, earnings can thus be distributed based on the part of reversal.

Chairperson: Wen-Yuan Lin

Manager: Pao-Yuan Chen

Accounting manager: Jasom Chou

附件六

Taiwan Styrene Monomer Corporation
Procedures for Acquisition or Disposal of Assets 部分條文修正對照表

附件七

Taiwan Styrene Monomer Corporation
Operational Procedures for Loaning Funds to Others 部分條文修正對照表

附件八

Taiwan Styrene Monomer Corporation
Management of Endorsement and Guarantees 部分條文修正對照表

附件九

Taiwan Styrene Monomer Corporation
Procedures for Election of Directors 部分條文修正對照表

8 、 Attachment

- (1) Taiwan Styrene Monomer Corporation Articles of Incorporation
- (2) Taiwan Styrene Monomer Corporation Rules of Board Meeting Minutes
- (3) Procedures for Acquisition or Disposal of Assets(Before Amendment)
- (4) Operational Procedures for Loaning Funds to Others(Before Amendment)
- (5) Management of Endorsement and Guarantees(Before Amendment)
- (6) Procedures for Election of Directors and supervisors(Before Amendment)
- (7) Shareholding Condition of the Directors
- (8) Related Information About the Compensation of Employees, Directors and Supervisors, 2017
- (9) Related Information About the Compensation of Employees, Directors and Supervisors, 2018
- (10) The impact of free share issuance which is going to be discussed in the meeting on the operating performance, earnings per share and the return on investment of shareholders of the company

Attachment 1

Taiwan Styrene Monomer Corporation
Articles of Incorporation
Chapter 1 General rules

Article 1 : The Company is organized and named “Taiwan Styrene Monomer Corporation”, in accordance with Company Act.

Article 2 : The Company's industry classifications are as follows:

- (1)C801020 Petrochemical Manufacturing
- (2)C801030 Precision Chemical Materials Manufacturing
- (3)C801990 Manufacture of Chemical Material
- (4)C802990 Other Chemical Products Manufacturing
- (5)D101050 Steam and Electricity Paragenesis
- (6)D401010 Heat Energy Supplying
- (7)F401010 International Trade
- (8)G801010 Warehouse
- (9)H701010 Residence and Buildings Lease Construction and Development
- (10)H701020 Industrial Factory Buildings Lease Construction and Development
- (11)H703090 Real Estate Commerce
- (12)H703100 Real Estate Rental and Leasing
- (13)ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval

Article 2-1 : The total amount of the re-investment made by the Company may not be restricted by article 13 of the Company Act as 40% of the capital.

Article 2-2 : The company may offer endorsement and guarantee as the need of investment business.

Article 3 : Headquarter of the Company is located at Taipei City. The Company can establish branches or manufacturing facility as the need of business operating.

Article 4 : The news publishing of the Company shall be conducted according to the regulation of Company Act.

Chapter 2 Shares

Article 5 : The total capital of the Company is NTD \$9 billion dollars, which is divided into 900 million shares, that is, NTD \$10 dollars per share. The total authorized number of shares are to be issued in installments by the approval of the board.

Article 6 : Share certificates of the Company shall be registered and shall be affixed with the

signatures or personal seals of three or more directors and shall be duly certified or authenticated by the competent authority.

Article 7 : The seal impression of shareholders shall be filed at the company for the shareholders may exercise his/her rights.

Article 8 : As the seal of the shareholder is lost or stolen, the shareholder shall fill the lost notification to the company with ID copy and the new impression card. The new seal shall be issued thereby. If other person is to conduct the preceding procedure for the shareholder, a seal certificate issued by household office shall be attached.

Article 9 : If a shareholder is to transfer the share because of inheritance or give-up, the transfer application shall be sealed and shall be processed through the company. If a share is not properly processed, that may not be used against the Company.

Article 10 : If the shares are to be set rights, the concerned parties shall submit the application in writing to the Company.

Article 11 : If the certificate has been lost or stolen, the concerned shareholder shall report the company in writing and apply for reissuance according to related procedures.

Article 12 : If a shareholder wishes the company to reissue the share for the original share is damaged, the preceding paragraph shall apply.

Article 13 : Registration for transfer of shares shall be suspended sixty (60) days immediately before the date of regular meeting of shareholders, and thirty (30) days immediately before the date of any special meeting of shareholders, or within five (5) days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Corporation.

Chapter 3 Shareholders Meeting

Article 14 :

Shareholders' meeting shall be of the following two kinds:

- 1.Regular meeting of shareholders: to be held at least once every year.
- 2.Special meeting of shareholders: to be held when necessary.

Article 15 : For a public company, a notice to convene a regular meeting of shareholders shall be given to each shareholder no later than 30 days prior to the scheduled meeting date. In case a public company intends to convene a special meeting of shareholders, a meeting notice shall be given to each shareholders no later than 15 days prior to the scheduled meeting date.

Article 16 : Deleted.

Article 17 : Each shareholder of the Company has one voting right per share, except as otherwise regulated by other laws.

Article 18 : If a shareholder cannot attend the shareholders' meeting due to some reason, he or she may appoint a proxy to attend each shareholders' meeting by providing the proxy form issued by the Company which states the scope of authorization. The rules for a shareholder to appoint a proxy to attend the meeting are in accordance with the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" in addition to Article 177 of the Company's Act.

Article 19 :

Unless the Company Act regulates otherwise, the chairman shall be the president of the shareholders meeting. If the chairman is absent, the president shall be the person designated by chairman; if the chairman fails to designate anyone, the president shall be elected among the directors.

Article 20 : Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the company within twenty (20) days after the close of the meeting. With regard to a company offering its shares to the public, the distribution of the minutes of shareholders' meeting as required in Paragraph One of Article 183 may be effected by means of a public notice.

Chapter 4 Directors

Article 21 :

The Board of Directors of our company has 11-13 directors, all with a three-year term. They are capable individuals elected at the Shareholders' Meeting and can be re-elected. As the directors and supervisors are elected, the board may approve to purchase the liability insurance for their business. According to article 14-2 of the Securities and Exchange Act, there should be a minimum of 2 independent directors and cannot account for less than one fifth of the director seats. The independent director shall be elected by the shareholder meeting from the nomination list. The independent director is authorized by the Company to participate the board meeting and express opinions; any opinion of independent directors shall be recorded in the minutes. The qualification, withheld number of shares, concurrent service, nomination and selection process of independent directors should be based on the

regulations of the competent authority.

Article 21-1 : Deleted.

Article 21-2 : The Company sets up the auditor committee according to article 14-4 of Security Trade Law. The committee is composed by all the independent directors, enforcing the duty of supervisors.

Article 22 : The board is organized by the directors. The board of directors shall elect a chairman of the board directors from among the directors by a majority vote at a meeting attended by over two-thirds of the directors. The chairman shall externally represent the Company.

Article 22-1 : When the board meeting is convening, the reasons shall be listed and delivered to each director and supervisor 7 days before the meeting. However, if there is an emergency, the meeting may be convened anytime. The notification of convening the board meeting may be made by ways such as fax and email instead of by correspondence.

Article 23 :

Unless the Company Act regulates otherwise; the resolution of a board meeting shall be adopted by a majority vote of the directors at a meeting of the board of directors attended by at least a majority of the entire directors of the company. A shareholder may appoint a proxy to attend a shareholders' meeting in his/her/its behalf by executing a power of attorney stating therein the scope of power authorized to the proxy. A shareholder may only execute one power of attorney and appoint one proxy only. In calling a meeting of the board of directors, a notice shall set forth therein the subject(s) to be discussed at the meeting and a notice shall be issued no later than 7 days prior to the scheduled meeting date. In case of emergency, the meeting shall be called anytime. The abovementioned meeting can be called via writing, or fax.

Article 24 : The responsibilities of the Board are as follows:

- (一) Election of Chairman
- (二) Appointment of Manager
- (三) Contracting with shareholders
- (四) Determine the operating direction of the company
- (五) Determine the expanding strategy
- (六) Review and determine the operating budget
- (七) Other responsibilities regulated by Company Act

Unless the Company Act regulates otherwise, the board may authorize the board

right to the Chairman:

- (一) The making of governing policy, procedure, and other matters appointed by chairman
- (二) Other matters appointed by the board

Article 25 : Deleted.

Article 26 : As the directors and supervisors are elected, the board may approve to purchase the liability insurance for their business. The director shall be compensated and is entitled to the monthly salary based on industry's standard for the position.

Chapter 5 Managers

Article 27: The company establishes the position of manager and the matters of appointment, reassignment, or compensation should be conducted according to the regulation of Company Act.

Article 28 : The general manager is responsible for the operating of the company according to the instruction by Chairman; The responsibilities are as follows:

- (一) Drafting the company policy
- (二) Mapping the operating direction and the enforcement
- (三) Planning the fund raising
- (四) Preparation of operating budget
- (五) Drafting company organization and the HR related matters
- (六) Other power appointed by board or shareholders meeting

Chapter 6 Accounting

Article 29 :

At the end of every fiscal year, the board shall submit the papers and lists as below 30 days before the start of shareholder's meeting to the shareholder's meeting for approval.

- (1). Business Report
- (2). Balance Sheet
- (3). Proposal on distribution of surplus and recovery of losses

Article 30 : Deleted.

Article 31 : The profit of the company shall be allocated 1-5% as employees' bonus and up to 2.5% as directors' bonus. If the company's balance is insufficient, the profit is to be reserved as make-up.

The board may determine whether the bonus is issued in cash or in shares, and the resolution shall be approved by the shareholders meeting.

The earning of the company shall be allocating for income tax payment,

reserve make-up, and 10% for legal reserve and for special reserve if needed. Then the board may discuss the distribution of retained earnings. In the distribution, the cash dividends shall be no less than 30%; if the EPS is lower than 0.1, then a stock dividend may be issued.

Article 32 : Other procedures of the company shall be made individually.

Article 33 : Any other matters not regulated in the article shall be conducted according to Company Act.

Article 134 : The article was established on Sep.21, 1979;

The 1st amendment was made on May 26,1980;

The 2nd amendment was made on Jan 26,1981;

The 3rd amendment was made on May 5,1981;

The 4th amendment was made on Aug. 26,1980;

The 5th amendment was made on Mar. 22,1983;

The 6th amendment was made on Aug. 18,1984;

The 7th amendment was made on Mar. 5,1987;

The 8th amendment was made on Mar. 22,1989;

The 9th amendment was made on Mar. 22,1989;

The 10th amendment was made on May 31,1990;

The 11th amendment was made on Apr.16,1991;

The 12th amendment was made on Mar. 22,1995;

The 13th amendment was made on Apr. 18,1996;

The 14th amendment was made on May 14,1998;

The 15th amendment was made on May 24,2000;

The 16th amendment was made on Jun. 3,2002;

The 17th amendment was made on Jun.24,2003;

The 18th amendment was made on Jun.24,2003;

The 19th amendment was made on Jun.15,2005;

The 20th amendment was made on Jun.22,2006;

The 21th amendment was made on Jun.19,2008;

The 22th amendment was made on Jun.15,2009;

The 23th amendment was made on Jun.24,2011;

The 24th amendment was made on Jun.28,2012;

The 25th amendment was made on Jun.18,2014;

The 26th amendment was made on Jun.11,2015;

The 27th amendment was made on Jun.29,2016;

The 28th amendment was made on Jun.1,2017;

The 29th amendment was made on Jun.26,2018;

Taiwan Styrene Monomer Corporation

Rules of Board Meeting Minutes

- 1、 The meeting shall be held as the rule unless otherwise regulated.
- 2、 The Company should have the attendance log ready for the signature of the attending shareholders or the shareholder's representative (hereinafter referred to as the Shareholders), or the attending shareholders may have the signature card submitted as an alternative to the signature. The presented shares shall be recorded on the log and shall be calculated manually or electronically.
- 3、 The presentation and vote shall be calculated according to the amount of shares.
- 4、 The shareholders meeting must be held at a location that is suitable and convenient for shareholders to attend. The meeting must not commence any time earlier than 9AM or later than 3PM.
- 5、 If the meeting of shareholders is convened by the Board, the Chairman of the Board is to chair the meeting. If the chairman is on leave or is unable to exercise his/her powers for certain reasons, the Vice Chairman is to chair the meeting. If a Vice Chairman is not appointed or the Vice Chairman is also on leave or is unable to perform their duties for certain reasons, the Chairman is to appoint one of the general directors to chair the meeting. If a general director is not appointed, one of the directors is appointed to chair the meeting. If a representative is not appointed by the Chairman, one of the general directors or directors should be elected among the board members to chair the meeting. It is preferable if there is a majority of the board directors attending the shareholders' meeting that is convened by the Board of Directors. If the shareholders' meeting is convened by any authorized party other than the Board of Directors, the convener will act as the meeting chairman. If there are two or more conveners, they shall appoint one among themselves to chair the meeting.
- 6、 The Company may summon its lawyers, certified public accountants, and any relevant personnel to the shareholders meeting.
The service personnel for the shareholders' meeting shall wear identification badges or armbands.
- 7、 The Company should have the entire meeting of shareholders taped in an audio or video recording and stored for at least one year.
- 8、 The chairman should announce the commencement of the meeting as soon as it is due. However, if the attendees represent less than half of all outstanding shares, the meeting chairman may announce the postponement of the meeting up to two times, for a period totaling no more than one hour. The chairman may announce the meeting is adjourned if there are still an insufficient number of shareholders to represent two thirds of the shareholding to attend the meeting after two meetings are postponed.
If the shareholdings of the attending shareholders are not more than half of the total number of shares issued after two postponements but more than one third of the total number of shares issued, a pseudo-resolution can be resolved in accordance with Article 174 of the Company Law. Also, shareholders should be informed regarding the pseudo-resolution with another meeting of shareholders to be convened within one month.

- 9、 If the shareholders' meeting is convened by the Board of Directors, its agenda is set by the Board of Directors. The meeting is conducted in accordance with the agenda and it may not be changed without the resolutions reached in the shareholders' meeting. The provision referred to above is applicable even when the shareholders' meeting is convened other than by the Board of Directors.
- The Chairman may not announce the meeting is adjourned until a resolution is reached for the two procedures (including motions) referred to above. If the Chairman has announced the meeting adjourned in violation of the procedures, the other board directors shall promptly assist the shareholders present with a majority of balloting rights to elect a chairman to continue the meeting in accordance with the legal procedures.
- 10、 Shareholders with over 1% shareholding of the shares issued may have proposals presented in writing to the Company's Annual Shareholders' Meeting. However, it is limited to one proposal and more than one proposal presented will not be discussed at the meeting. The Board of Directors may not have proposals presented by shareholders that fall within the scope of Article 172-1-4 of the Company Act included for discussion. The shareholder's proposal is limited to 300 words, otherwise it will not be included for discussion. The proposing shareholders must attend the annual shareholders' meeting in person or by proxy to participate in the proposal discussion.
- 11、 Shareholders who wish to speak during the meeting must produce a Speak Request Form detailing the topics and the shareholder's name and account number (or the attendance ID serial). The order of shareholders' comments will be determined by the meeting chairman.
- Shareholders who submit Speak Request Forms without actually speaking are considered to have remained silent. If the shareholder's actual comments differ from those stated in the Speak Request Form, the actual comments shall prevail.
- 12、 Each shareholder may not speak on the same proposal more than twice and not more than 5 minutes each time unless otherwise permitted by the Chairman. However, the Chairman may stop the shareholder from speaking if the speech is in violation of regulations or outside the scope of the proposal.
- 13、 The number of representatives attending the shareholders' meeting on behalf of the institutional shareholders, both the government and legal person, is not limited to one person. The number of legal persons entrusted to attend the shareholders' meeting is limited to one person.
- 14、 The Chairman may have the speech of the shareholder responded to in person or by the designated personnel.
- 15、 The Chairman must give the proposal or the amendment or ad hoc motion proposed by the shareholders an opportunity to be explained and discussed sufficiently until it is ready for balloting and then stop the discussion for balloting.
- 16、 Shareholders are entitled to one vote per share, except for shares that are subject to voting restrictions or situations outlined in Paragraph 2, Article 179 of The Company Act.
- 17、 The ballot counting will proceed openly during the meeting. The outcome of the vote must be documented and announced on site.
- 18、 The chairman at his/her discretion may announce the meeting is in recess.
- 19、 Unless otherwise provided in the Company Act and the Company's Articles of Incorporation, the proposal is passed at the meeting by the shareholders representing a majority of the balloting rights. The chairman or the designated personnel are to announce the total number of balloting rights of the shareholders presented at the time of balloting.

- 20 、 For a proposal with an amendment or alternative put to vote, the chairman is to have it prioritized for balloting with the original bill enclosed. If any solution is passed, all other proposals shall be deemed rejected and no further voting is necessary.
- 21 、 The chairman may instruct picketers or security staff to help maintain order at the meeting. While maintaining order at the meeting, all picketers or security staff must wear arm badges which identify their roles as "Staff".
- 22 、 The procedure and the amendment is approved by the shareholders meeting.

Taiwan Styrene Monomer Corporation

Procedures for Acquisition or Disposal of Assets (Before Amendment)

Chapter 1 General Principles

1、Purpose and Legal Basis:

To strengthen asset management and implement information disclosure, the Procedures are hereby amended in accordance with the relevant provisions of the amendments to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.”

2、Applicable Scope of Assets:

(1) Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, asset-backed securities, etc.

(2) Real property (including land, houses and buildings, investment properties, rights to use land, and inventories of construction enterprises) and equipment.

(3) Memberships.

(4) Patents, copyrights, trademarks, franchise rights, and other intangible assets.

(5) Derivatives.

(6) Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with the applicable laws, rules, and regulations.

(7) Other major assets.

3、Terms used in the Regulations are defined as follows:

(1) Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.

(2) Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.

- (3) Related party and subsidiaries: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- (4) Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- (5) Date of occurrence: Refers to the date of contract signing, date of payment, date of Reg No 289175 2 consignment trade, date of transfer, dates of boards of directors resolutions, or another date that can confirm the counterparty and monetary amount of the transaction, whichever date is the earliest, provided that, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- (6) Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

4 、 Appraisal Procedures

- (1) Where the Company acquires or disposes of investment in securities or engages in derivative trading, the accounting department shall analyze its related benefits and assess its potential risks. As regards the acquisition or disposal of real estate and other assets, each unit shall draw up a capital expenditure plan in advance and carry out the feasibility evaluation on the purpose of acquisition or disposal and the expected benefits. In the case of acquiring real estate from related parties, the reasonableness of the transaction terms shall be appraised in accordance with the provisions of Chapter 2 hereof.
- (2) When acquiring or disposing of securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the certified public accountant needs to use the report of an expert as evidence, the certified public accountant shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the authority in charge.

- (3) Where the Company acquires or disposes of membership or intangible assets and the transaction amount reaches 20% or more of the paid-in capital or NT\$300,000,000 or more, except in transactions with a government agency, the Company shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.
- (4) The transaction amounts referred to in the preceding three articles shall be calculated in accordance with paragraph 2 of Article 30 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the transaction. The amounts due to professional appraisers for the appraisal report and CPA for the CPA's opinions can be excluded from the calculation.
- (5) The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.
- (6) In addition to taking into account the opinions of professional appraisers, CPAs and other relevant experts in accordance with the aforementioned provisions, the method and reference basis for determining the price of assets acquired or disposed of by the Company shall be handled in accordance with the following circumstances:
- a. The securities transacted on a centralized exchange market or OTC market, the prices shall be decided by the listed price or market price at the time of transaction.
 - b. The securities not transacted on a centralized exchange market or OTC market, the price decision shall refer to financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant.
 - c. The acquisition or disposal of memberships shall consider the benefits to be derived therefrom, with reference to the latest transaction price at that time. The acquisition or disposal of patent right, copyright, trademark right, franchise and other intangible assets shall refer to the international or market practices, the serviceable life and the impact on the Company's technology and business.
 - d. The acquisition or disposal of real estate and other fixed assets shall refer to

the publicly announced current value, appraised current value, the actual transaction price or book value of the adjacent real estate and the supplier's quotation. In the case of the purchase of real property from a related party, a calculation shall be made using the method prescribed in Chapter 2 hereof to evaluate whether the transaction price is reasonable.

e. Derivatives trading shall take into account futures market trading conditions, exchange rates, and interest rate trends.

f. The nature of business, net value per share, asset value, technology and profitability, productivity and future growth potential should be taken into account when conducting a merger, demerger, acquisition, or transfer of shares.

5 、 Operating Procedures:

(1) The degree of authority delegated and the levels to which authority is delegated

a. Securities: The board of directors may authorize the chairman to approve the amount of a single or cumulative transaction of NT\$10 million or less in advance and subsequently report it at the latest board meeting. A single sum or accumulative sum exceeding NT\$10 million shall be submitted to the board of directors for approval and recognized by the supervisors. However, the acquisition or disposal of stocks, corporate bonds or privately placed securities that are not traded in the centralized securities exchange market or OTC market shall be subject to the resolution of the board of directors. In addition, investment in China shall be carried out by the chairmen with the consent of the board of directors or authorized by the board of directors, and shall be approved by the Investment Board of the Ministry of Economic Affairs.

b. Derivatives trading

(a) Hedge trades: According to the change of turnover and risk position of the Company, a person designated by the chairman may conduct transactions in a single or cumulative transaction of less than USD\$3 million (including equivalent currencies). For USD\$3 million or more, it shall be submitted to the chairman for approval before proceeding with the transaction.

(b) Non-hedge trades: To reduce risk, a single or a cumulative transaction of less than USD\$1 million (including equivalent currencies) shall be submitted to the chairman for approval, while that with USD\$1 million or more shall be approved by the board of directors before relevant transactions can be carried out.

(c) In order for the authorization from the Company to cooperate with the bank's supervision and management, the authorized trader must inform

the bank.

(d) Derivatives trading under the aforementioned authorization shall be reported to the board of directors afterwards.

3. Where the Company acquires real property from a related party, relevant information shall be prepared in accordance with the provisions of Chapter 2 hereof and shall be submitted to the board of directors for approval and recognized by the supervisors.

4. Merger, demerger, acquisition, or transfer of shares: Relevant procedures and materials shall be prepared in accordance with Chapter 4 hereof, in which mergers, demergers and acquisitions are subject to the adoption of a resolution by the shareholders' meeting. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. In addition, the transfer of shares shall be approved by the board of directors.

5. Other: It shall be handled in accordance with the operating procedures prescribed by the internal control system and the decision-making authority. If the transaction amount reaches the public announcement and report standard set forth in Article 5, it shall be approved by the board of directors first. In case of any circumstance as set forth under Article 185 of the Company Act, it shall be adopted by a resolution of the shareholders' meeting.

(2) The units responsible for implementation, and transaction process

The Company's units responsible for implementation of investment in long- and short-term securities and derivatives trading are the accounting department and personnel designated by the chairman, and are subject to the provisions of Chapter 3 hereof. The units responsible for implementation of real property and other assets are the use departments and responsible departments. The Company acquiring real property from a related party shall be subject to the provisions of Chapter 2 hereof. The unit in charge of mergers, demergers, acquisition, or transfers of shares is appointed by the chairman and governed by the provisions of Chapter 4 hereof. After the acquisition or disposal of assets is appraised and approved in accordance with the regulations, the unit in charge shall carry out the transaction process such as contracting, receipt and payment, delivery and acceptance, and shall follow the operation procedures related to the internal control system according to the nature of the assets.

6、Information disclosure：

(1) Under any of the following circumstances, the Company acquiring or disposing

of assets shall publicly announce and report the relevant information on the FSC's designated website in an appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:

- a. Acquisition or disposal of real estate from or to a related party, or acquisition or disposal of assets other than real estate from or to a related party where the transaction amount reaches 20% or more of the paid-in capital, or 10% or more of the Company's total assets, or NT\$300,000,000 or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.
 - b. Merger, spin-off, acquisition, or transfer of shares.
 - c. Losses from derivatives trading reaching the limits of aggregate losses or losses on individual contract set out in the procedures adopted by the Company
 - d. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:
 - (a) For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
 - (b) For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.
6. Any asset transactions other than those referred to in the preceding three subparagraphs, or an investment in the mainland China area with amount reaching 20% or more of the paid-in capital or NT\$300,000,000 or more, excluding the following circumstances:
 - (a) Trading of government bonds.
 - (b) Securities trading by investment management companies on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.
- (2) The Company shall compile monthly reports on its assets acquired or

disposed of or derivatives trading reaching the standards for public announcement and report or the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

(3)When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.

(4)Any disclosure shall be updated within 2 days if the following event occurs:

- a. The contract has been terminated.
- b. The merger or transfer is not completed on the due date.
- c.Original disclosure is changed.

(If the assets of the subsidiary is below 20% or 10% of the assets of the Company, the paid-in capital amount shall be provided.)

7、Asset assessment:

In acquiring or disposing of real estate or equipment where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300,000,000 or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on leased land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of the occurrence of the event from a professional appraiser and shall further comply with the following provisions:

The transaction amounts referred to in the preceding three articles shall be calculated in accordance with paragraph 2 of Article 30 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the transaction. The amounts due to professional appraisers for the appraisal report and CPA for the CPA's opinions can be excluded from the calculation.

Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or the CPA opinion.

(1)In the event that due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedures shall apply to any future changes in the terms and conditions of the transaction

(2)In the event that the transaction amount is NT\$1 billion or more, appraisals

from two or more professional appraisers shall be obtained.

- (3) Any one of the following circumstances applies with respect to the professional appraisers' appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of the Statement of Auditing Standards No. 20 published by the foundation constituted as a juristic person in Taiwan -- Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reasons for the discrepancy and the appropriateness of the transaction price:
- a. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
 - b. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- (4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the current land value for the same period announced by Ministry of Interior is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

8 、 Scope and Amount of Investment

In addition to acquiring assets for business use, the Company and its subsidiaries may also invest in non-commercial real property and securities. The limits of their quotas are as follows. In the calculation under subparagraphs 4 and 5, those engaging in the investment and establishment or holding the position of director or supervisor, and intended to be long-term holders may not be included.

- (1) The total amount of real estate not for business use shall not exceed 30 percent of the net value of the Company's latest financial statements, while its subsidiary shall not exceed 30 percent of the net value of its latest financial statements.
- (2) The total amount of securities may not exceed 120 percent of the net value of the Company's most recent financial statements. Its subsidiaries may not exceed 120 percent of the net value of its most recent financial statements.
- (3) The limit for investing in individual securities shall not exceed 60 percent of the net value of the Company's latest financial statements, and 60 percent of the net value of its subsidiary's latest financial statements.
- (4) The net investment of the Company and its subsidiaries in a single listed or OTC company shall not exceed 10 percent of the net value of their respective

latest financial statements.

(5)The total investment and shareholding of the Company and its subsidiaries in a single listed or OTC company shall not exceed 10 percent of the total amount of shares issued by such single listed or OTC company.

9 、 Control procedures for the Acquisition and Disposal of Assets by Subsidiaries

(1)The subsidiaries of the Company shall also establish and implement the "Procedures for the Acquisition or Disposal of Assets," which shall be passed by the board of directors of the subsidiaries, sent to the supervisors (otherwise the process can be waived) and submitted to the shareholders' meeting (approval from only the board meeting is allowed for a sole shareholder) for approval, and the same procedures shall apply whenever subsequent amendments are made.

(2)The acquisition or disposal of assets by subsidiaries of the Company shall be governed by the respective provisions of the "internal control system" and the Procedure for the Acquisition or Disposal of Assets. They shall notify the Company within the day of occurrence of the event and shall, by the 5th day of each month, submit monthly reports in writing to the Company on where the amount of a single or accumulated transaction of the same nature of assets acquired or disposed of the preceding month reached NT\$10 million or more and on the status of derivatives trading engaged in up to the end of the preceding month.

(3)If the subsidiary is not a public company, the Company shall disclose the related information.

10 、 Penalty:

Any violation on the procedure or related law shall be punished according to the company policy.

Chapter 2 Related Party Transaction

11 、Criteria of Identification

When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion. The identification of related parties shall be made in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. In addition to legal formalities, the substance of the relationship shall also be considered.

12 、Resolution:

When the Company intends to acquire or dispose of real estate from or to a related party, or when it intends to acquire or dispose of assets other than real estate from or to a related party and the transaction amount reaches 20% or more of the paid-in capital, 10% or more of the Company's total assets, or NT\$300,000,000 or more, except in the trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, subject to mutatis mutandis application of paragraphs 2, 3 and 4 of Article 6, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all Audit Committee members, and then submitted to the board of directors for a resolution:

- (1) The purpose, necessity and estimated benefit of the acquisition or disposal of assets.
- (2) The reason for choosing the related party as a trading counterparty.
- (3) With respect to the acquisition of real estate from a related party, information regarding evaluation of the reasonableness of the pre-determined transaction terms in accordance with Articles 15 and 16.
- (4) The date and price at which the related party originally acquired the real estate, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
- (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
- (7) Restrictive covenants and other major terms associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with paragraph 2 of Article 30 herein, and "within the preceding year" as used herein

refers to the year preceding the date of occurrence of the transaction. The amounts approved by the board of directors and ratified by the Audit Committee can be excluded from the calculation.

With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the Company's board of directors may pursuant to subparagraph 3, paragraph 1 of

Article 7, delegate the chairman to decide such matters and have the decisions subsequently ratified at the next board of directors meeting.

13 、 Evaluation of the Reasonableness of Trading Conditions:

The Company that acquires real property from a related party shall appraise the reasonableness of transaction costs by taking the following approaches and engage a CPA to check the appraisal and render a specific opinion, except in the following three situations: 1) The related party acquired the real property through inheritance or as a gift; 2) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction; and 3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.

(1)Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

(2)Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

(3)Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the

means listed in the preceding paragraph

14 、 Items to be Done when Transaction Cost is lower than Transaction Price

When the results of the Company's appraisal conducted in accordance with the preceding Article reveal that the transaction cost is uniformly lower than the transaction price, the provisions of article 15 shall apply, with the exception of where the following circumstances exist and where objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA.

- (1) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - a. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - b. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
 - c. Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
- (2) Where the Company acquiring real estate from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within

the preceding year refers to the year preceding the date of occurrence of the acquisition of the real estate.

- 15、Where the Company acquires real estate from a related party and the results of appraisals conducted in accordance with Articles 13 and 14 are uniformly lower than the transaction price, the following steps shall be taken:
- (1) A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real estate transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares.
 - (2) The Supervisors shall comply with Article 218 of the Company Act.
 - (3) Actions taken pursuant to subparagraphs 1 and 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

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

When the Company obtains real estate from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.

Chapter 3 Control of Derivatives Trading

16、Trading Principles and Strategies

- (1) Transaction types: The Company may engage in derivatives trading in forward contracts, options, interest rates and exchange rate exchanges, futures, and hybrid contracts combining the above goods.
- (2) Operational or hedging strategies: The Company dealing in derivatives can be divided into hedging-oriented and non-hedging-oriented (i.e. trading-oriented) transactions. The main purpose of the strategy shall be to avoid business risks, and the choice of trading commodities shall focus on avoiding the risks of foreign exchange income, expenditure, assets or liabilities arising from the Company's business operations. If, due to changes in the objective environment, the Company chooses an appropriate time to enter the market to engage in derivatives "non-hedging transactions," it is

expected to increase the Company's non-operating income or reduce its non-operating loss. In addition, the transaction counterparty to be chosen shall be the financial institutions that have business with the Company as far as possible in order to avoid the credit risk. Before trading, transaction patterns such as hedging or financial operations that pursue investment returns must be clearly defined to serve as the basis for accounting entries.

(3) Transaction limit

- a. Hedge trades: The accumulated open net positions shall not exceed more than one third of the total net position of the company. "The net position of the company" is based on the net assets and liabilities on the company's regular closing statements (before the hedging trading quota has been included), and takes into account the planned projections of the business department and the procurement department.
- b. Non-hedge trades: No more than NT\$ 300 thousand. Before execution, the trader shall submit an analysis report on the trend of foreign exchange, which shall specify the analysis of the trend of foreign exchange markets and the suggested operation mode. Only after approval in accordance with Subparagraph 1, Paragraph 2, Article 4 hereof can trading be made.

(4) Total and individual contractual loss limit amounts

- a. Hedge trades: The maximum total contractual loss for hedge trades is 20% of the total transaction amount. If exceeding the loss limit, the director of finance and accounting shall report it to the chairman for review of the corresponding measures.
- b. Non-hedge trades: After the establishment of the position, a stop-loss point shall be created to prevent excessive losses. The limit of the stop-loss point shall be no more than 10% of the amount of the transaction contract, and the total accumulated loss shall not exceed NT\$2 million in the whole year.

(5) Division of responsibility and authority

- a. Traders: implementing personnel of derivatives trading of the Company, who are appointed by the chairman. Responsible for the formulation of trading strategies within the scope of authorization, execution of trading instructions, disclosure of future trading risks, and provision of immediate information to relevant departments for reference.
- b. Accounting division: responsible for the confirmation of transactions, recording and keeping transaction records in accordance with relevant provisions, regularly evaluating the fair market value of the positions held, providing it to transaction specialists, and disclosing related matters of derivatives in financial statements.

c. Financial division: responsible for the delivery of derivatives trading.

(6) Essentials of performance evaluation

- a. Hedge trades: Based on the performance evaluation of the cost of the exchange (interest) rate on the company's books and the profit and loss arising from engaging in derivative financial transactions, the evaluation shall be conducted at least twice a month, and the performance shall be presented to the management for reference.
- b. Designated-use transactions: Based on the actual profits and losses, the performance evaluation shall be conducted at least once a week, and the performance shall be presented to the management for reference.

17、 Risk management:

The Company engaging in derivatives trading shall adopt the following risk management measures:

- (1) Consideration of credit risk: the counterparty of derivatives trading shall be the bank which has a business relationship with the Company or a prominent international financial institution which may provide professional information.
- (2) Market risk: As the potential loss of derivatives due to future market price fluctuations is uncertain, the stop-loss point should be set strictly after the position is established
- (3) Liquidity risk: In order to ensure the liquidity of the commodities traded, the trading institutions must have sufficient equipment, information and trading capacity and be able to trade in any market.
- (4) Cash flow management: Only invested by self-owned fund and shall consider the currency need in the future.
- (5) Operational risk: The degree of authority delegated and process must be observed to avoid operational risk.
- (6) Legal risk: Any contractual documents signed with financial institutions shall use international standardization documents as far as possible to avoid legal risks.
- (7) Commodity risk: Internal traders shall have complete and correct expertise in dealing with derivatives in order to avoid losses caused by misuse of derivatives.
- (8) Cash delivery risk: The authorized trader shall strictly abide by the provisions within the authorized limit, and pay attention to the company's cash flow at ordinary times to ensure that there is sufficient cash payment for delivery.
- (9) Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
- (10) Confirmation personnel shall regularly check accounts with or send a written

confirmation request to correspondent banks and check from time to time whether the total amount of transactions exceeds the upper limit stipulated herein.

- (11) Risk measurement, monitoring, and control personnel shall be assigned to a different department from the personnel as noted in subparagraph 1) and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.
- (12) Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors (Note: senior management personnel who are not from the unit in charge shall be appointed).

18 、 Internal audit:

- (1) The Company's internal audit personnel shall periodically examine the appropriateness of internal controls over derivatives trading and conduct a monthly audit of the compliance of derivatives trading by the trading department with the procedures, and prepare an audit report. In the event of any material violations, the supervisors and officer designated by Chairman shall be notified in writing.
- (2) The auditors of the Company shall include derivatives trading in the audit plan and report the implementation of the annual audit plan of the previous year to the Securities and Futures Bureau before the end of February of the next year, and submit the improvement of irregular circumstances to the Bureau for reference no later than the end of May of the next year.

19 、 Regular Evaluation Methods and Handling of Irregular Circumstances

- (1) Regular monthly or weekly evaluation of derivatives trading and summary of the current month or week's profits and losses and non-hedging trading open positions shall be presented to senior management personnel and chairmen authorized by the board of directors as a reference for management performance evaluation and risk measurement.
- (2) Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.
- (3) Senior management personnel authorized by the board of directors shall

manage derivatives trading in accordance with the following principles:

a. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations issued by competent authority and the procedures for engaging in derivatives trading formulated by the company.

b. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.

(4) The company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated in the log book.

Chapter 4 Merger, spin-off, acquisition, or transfer of shares

20 、 The Company that conducts a merger, spin-off, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage

21 、 In the event that the Company participating in a merger, spin-off, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, spin-off, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, spin-off, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, spin-off, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, spin-off or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, spin-off or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

22 、 The company participating in a merger, spin-off, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, spin-off, or acquisition, unless another act provides otherwise or the competent securities authority is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the competent securities authority is notified in advance of extraordinary circumstances and grants consent. When participating in a merger, spin-off, acquisition, or transfer of shares where shares are listed on an exchange or traded on an OTC market, a full written record of the following information shall be kept for 5 years for reference:

- (1) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, spin-off, acquisition, or transfer of another company's shares prior to disclosure of the information
- (2) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting
- (3) Important documents and minutes: Including merger, spin-off, acquisition, and transfer of shares plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of director meetings.

When participating in a merger, spin-off, acquisition, or transfer of shares where shares are listed on an exchange or traded on an OTC market, within 2 days immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph shall be sent to the Financial Supervisory Commission (FSC) for review. Where any of the companies participating in a merger, spin-off, acquisition, or transfer of shares where shares are neither listed on an exchange nor traded on an OTC market, the Company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of paragraphs 3 and 4.

23 、 Share Exchange Ratio or Acquisition Price

Any merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

- (1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities.
- (2) An action, such as a disposal of major assets that affects the Company's financial operations.
- (3) An event, such as a major disaster or major change in technology that affects shareholder equity or share price.
- (4) An adjustment where any of the companies participating in the merger, spin-off, acquisition, or transfer of shares from another company, buys back treasury stock.
- (5) An increase or decrease in the number of entities or companies participating in the merger, spin-off, acquisition, or transfer of shares.
- (6) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

24 、 The agreement shall include following terms:

The contract for participation by the Company in a merger, spin-off, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, spin-off, acquisition, or transfer of shares, and shall also record the following:

- (1) Handling of breach of contract.
- (2) Principles for the handling of equity-based securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
- (3) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
- (4) The manner of handling changes in the number of participating entities or companies.
- (5) Preliminary progress schedule for plan execution, and anticipated completion date.
- (6) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

25 、 Mergers, Spin-offs, Acquisitions, and Transfer of Shares

- (1) Every person participating in or privy to the plan for merger, spin-off, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or

under the name of another person, in any stock or other equity security of any company related to the plan for merger, spin-off, acquisition, or transfer of shares.

- (2) After public disclosure of the information, if any company participating in the merger, spin-off, acquisition, or transfer of shares intends further to carry out a merger, spin-off, acquisition, or transfer of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, spin-off, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- (3) Where any of the companies participating in a merger, spin-off, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of the Article and Article 22.

Chapter 5 Other matter

- 26 、 The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company's headquarters, where they shall be retained for 5 years except where another act provides otherwise.
- 27 、 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.
- 28 、 After the Operational Procedures have been approved by the board of directors, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval before being enforced. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor and the shareholders' meeting for a deliberation. The same applies when the Operational Procedures are amended. Where the Company has established the position of independent director, when it submits the Operational Procedures to the board of directors for deliberation in accordance with the preceding paragraph, it shall take into full consideration each independent director's opinions; independent directors'

opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

- 29 、 After the Operational Procedures have been approved by the board of directors, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval before being enforced. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor and the shareholders' meeting for a deliberation. The same applies when the Operational Procedures are amended. Where the Company has established the position of independent director, when it submits the Operational Procedures to the board of directors for deliberation in accordance with the preceding paragraph, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.
- 30 、 The auditors shall be responsible for the management of the endorsement case by the regulation of Public Company Internal Control Procedure. After the audit report is completed, it shall be verified by the supervisors monthly.

Taiwan Styrene Monomer Corporation

Operational Procedures for Loaning Funds to Others (Before amendment)

1、Purpose

In order to meet the actual needs of business, the Company has specially formulated the Operational Procedures, and matters concerning the loan of funds to others shall be handled in accordance with the provisions of the Operational Procedures unless otherwise stipulated by laws and regulations.

2、Entities to which the Company may Loan Funds

The Company shall not loan funds to any of its shareholders or any other person except the following:

- a. a company which has a business relationship with the Company; or
- b. company which has short-term capital needs.

“Short-term” means the period within one-year. In the event that the period of business cycle is longer than one year, that period shall prevail. Financing is the accumulating balance of the short-term loan provided by the Company

3、Limits on the aggregate amount of loans and maximum amount permitted to a single borrower

(1)The total amount available for loans to others shall not exceed 20 percent of the Net Worth of the Company as stated in its latest audited or reviewed financial statement

- a. Where there are business dealings with the Company, the loan amount given to each single borrower shall not exceed the amount required for procurement of goods or sales of goods during the latest year or during the current year up to the time of the loan, whichever is higher.
- b. Where loaning funds for short-term financing facility is required, the loan amount made to each single borrower shall not exceed 10% of the net worth of the Company as shown in the latest financial statement audited and certified, or reviewed by a certified public accountant.
- c. Where an inter-company or inter-firm short-term financing facility is necessary.
 - (a)The invested company is to repay the Bank Loan, purchase equipment, or to deal with operating shortage.
 - (b)The invested company is the company hold by the Company over 50% and is to repay the Bank Loan, purchase equipment, or to deal with operating

shortage.

(c) Other company with the need to purchasing material or is to deal with operating shortage.

(d) Other loan approved by the board.

(2) Loans given to overseas companies in which the Company directly and indirectly holds 100% voting shares shall not be subject to the limitation that funds loaned to others shall not exceed 20% of the net worth of the Company as shown in the latest financial statement audited and certified, or reviewed by a certified public accountant.

(3) The "net worth" shall be as set forth in the most recent financial statements signed or examined by a CPA. If the Company's financial report is prepared in accordance with the International Financial Reporting Standards (IFRS), the net worth referred to herein means that the balance sheet stipulated in the Regulations Governing the Preparation of Financial Reports by Securities Issuers is attributable to the owners' equity of the parent company.

4、Procedures for loaning funds

(1) Operating Procedures

In processing matters for loaning funds or short-term loans, upon review by the department in charge, loans may be granted after approval by the Chairman or the director authorized by the Chairman or General Manager, and subsequently submission to and approval by the Board of Directors through resolution. Material loans to others shall be approved by the Audit Committee and be submitted to the Board of Directors for approval. When funds are loaned between the Company and its subsidiary or among subsidiaries of the Company, the Chairman may be authorized to proceed with multiple releases of funds or revolving drawdowns with regard to the same borrower within a certain amount authorized by resolution of the Board of Directors and within a one year period. The certain amount mentioned above shall be in compliance with Article 4, paragraph 2. In addition, the authorized amount extended by the Company or its subsidiaries to any single entity shall not exceed 10% of the net worth on the latest financial statements of the Company.

(2) Review Procedures

a. Application

For the loans given by the Company, the company or enterprise applying for the loan shall file a written application and attach relevant financial information and statements detailing the purpose of the borrowing.

b. Credit assessment

- (a) Once the Company accepts the application, the department in charge shall prepare a related written report to be submitted to the Board of Directors for review and approval after it investigates and evaluates the necessity and reasonableness of the funds loaned to others, whether the borrower has any direct or indirect business relationship with the Company, the financial status of the business operated, the ability to repay the debt, credibility, profitability, and the purpose of the funds, and consider the impact of the total amount of the loan given by the Company on the Company's operational risk, financial status and shareholders equity.
- (b) The assessment shall be conducted every 12 months and if the loan is with greater amount, 6 months.

c. Approval

After confirming the credit and usage, the board may discuss about the loan; if not, the clerk shall reply the borrower immediately that the Company disagree to provide the loan.

d. Collateral rights setting

When processing the loaning of funds or short-term financing facility, the Company shall obtain guarantee notes of equivalent amount, shall create a pledge or mortgage over personal property or real property when necessary, shall evaluate on a quarterly basis if the value of the collateral is equivalent to the balance of the loan, and shall request for additional collateral when necessary. Pertaining to the aforementioned debt guarantee, should the debtor provide personal or corporate guarantee with sufficient financial capability and credibility to replace provision of collateral, the Board of Directors may refer to the review report prepared by the department in charge; where corporate guarantee is provided, it should be noted if the Articles of Incorporation of the borrowing company has stipulated any provision that guarantees may be made.

e. Notification

As the loan is approved, the financial department shall notify the borrower related information and arrange the contract. After the setting of collateral is ready, the loan may be allocated.

f. Contract

- (1) The contract signing shall be conducted after the approval of the Board.
- (2) After the signing is completed, the clerk may notify the bank to allocate the loan.

g. Insurance

(a) Collateral except for the land and security, shall be insured by borrower, and the coverage shall not be lower than the loan amount.

(b) The clerk shall notify the borrower to extend the insurance as the overdue.

h. Allocation

After the contract is fully signed, and the collateral is prepared, the loan may be allocated.

5. Due

The duration of any loan provided to borrowers shall be limited to one year.

6. Interest

(1) The interest rate of loans shall not be lower than the capital cost of the Company from its short-term loans with financial institutions. The interest to be collected shall be calculated and paid once a month. Under special circumstances, the calculation and collection may be adjusted, provided that such adjustment has been approved by the Board of Directors.

(2) Calculated by day.

(3) Unless otherwise regulated, the interest shall be paid monthly and is payable within 7 days on the due date.

7. Consequent management

(1) The financial department shall prepare record for the information of borrower, amount, and due date according to the procedure.

(2) The financial department shall prepare the record for tracing back and prepare for the allowance for bad debt. Such record shall be provided to certified accountant for certification.

(3) In order to strengthen the internal control of the Company, if a loan made by the Company to an entity no longer meets the requirements of the Procedures or the loan balance exceeds the limit as a result of a change in circumstances, the Company shall adopt rectification plans and submit the rectification plans to the Board of Directors (once the Company establishes the Audit Committee, the plans should be submitted to the Audit Committee instead) and shall complete the rectification according to the timeframe set out in the plans.

(4) After the disbursement of each loan, the finance department shall regularly monitor the variation in the financial status, business and relevant credit status of the borrower and its guarantors, and any fluctuation in value of the collateral, and shall make written records. In the event that any major changes occur, the Finance Department shall immediately report to the General Manager and relevant

departments in charge for rapid handling.

- (5) The executive personnel shall notify the borrower 2 months prior to the due date.
- (6) When the loan is due or the borrower repays the loan before the due date, the accrued interest should be calculated and repaid with the principal, prior to the returning of promissory notes or mortgages to the borrower or cancelling the mortgage registrations.
- (7) The borrower shall apply for extension in advance in the event the loan cannot be repaid when the loan matures and such extension may be permitted after such application is reported to, and approved by, the Board of Directors. If the borrower fails to get such extension, the Company may exercise its rights on the collateral or guarantor, and seek compensation.
- (8) When the auditors of the Company conduct a check on the subsidiary according to the annual audit plan, they shall make a determination of the Operational Procedures for and implementation of loans of funds to others by subsidiaries. If any defect is discovered, they shall keep track of its improvement and report it as a follow-up report to the general supervisor.

8 · Information Disclosure

- (1) The Company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.
- (2) The Company and its subsidiaries whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
 - a. The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
 - b. The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.
 - c. The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.
 - d. If the subsidiary is not a public company, the related disclosure shall be made by the Company.

The "net worth" shall be as set forth in the most recent financial statements signed or examined by a CPA. If the Company's financial report is prepared in accordance with the International Financial Reporting Standards (IFRS), the net worth referred

to herein means that the balance sheet stipulated in the Regulations Governing the Preparation of Financial Reports by Securities Issuers is attributable to the owners' equity of the parent company.

9、Subsidiary management

- (1) As the subsidiary of the company is to offer loan, the matter shall be conducted by the related regulations issued by competent authority. Any amendment of the regulation shall be approved by the board and the supervisors.
- (2) The loan offered by the subsidiary of the company shall be conducted by the internal procedures and shall report to the company on every 5th day of the month for internal audit.
- (3) If the subsidiary of the company is not a public company and the loan amount has reached the threshold of reporting, the Company shall report the loan accordingly on the occurrence date.
- (4) Companies in which the Company holds, directly or indirectly, 90%, or more of the voting shares may make endorsements/guarantees for each other, and the amount of loan may not exceed 10% of the net worth of the Company, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

10、Penalty

Any managers or personnel-in-charge of the Company who violate the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" or the provisions of the Operational Procedures and thus infringe upon the rights and interests of the Company shall be subject to an assessment report governed by the personnel management regulations and working rules of the competent authority and the Company, and shall be punished according to the seriousness of the incident.

- 11、After the Operational Procedures have been approved by the board of directors, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval before being enforced. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor and the shareholders' meeting for a deliberation. The same applies when the Operational Procedures are amended. Where the Company has established the position of independent director, when it submits the Operational Procedures to the board of directors for deliberation in accordance with the preceding paragraph, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

12、Others

The auditors shall be responsible for the management of the endorsement case by the regulation of Public Company Internal Control Procedure. After the audit report is completed, it shall be verified by the supervisors monthly.

Taiwan Styrene Monomer Corporation

Management of Endorsement and Guarantees (Before amendment)

1 、 Purpose

These procedures are promulgated pursuant to Article 36-1 of the Taiwan Securities and Exchange Act and Regulations governing Loaning of Funds to reduce related financial risk. Any other matters not set forth in the Procedures shall be dealt with in accordance with the applicable laws, rules, and regulations.

2 、 Scope of endorsements/guarantees

The scope of endorsements/guarantees used herein is as follow:

(1) Financing endorsements/guarantees:

- a. Bill discount financing.
- b. Endorsements/guarantees for other companies for their financing needs.
- c. Endorsements/guarantees to the notes issued by the Company to nonfinancial institutions and entities for the Company's own financing needs.

(2) Endorsements/guarantees of custom duties due from the Company or other companies.

(3) Other endorsements/guarantees that are not classified as prior two types.

The lien or mortgage provided by the Company against its assets and properties for guaranteeing another company's loan shall be conducted according to the procedure.

3 、 Entities for which the Company may make endorsement or guarantees

The Company may provide endorsement to the following company, however, in the events of the contractual obligations with peer company or the co-investment made by the paid-in shareholders' shareholding ratio, or the co-guarantee required by related laws, the Company may provide the endorsement regardless of the regulations of the preceding paragraph.

(1) A company with which the Company does business.

(2) A company in which the Company directly and indirectly holds more than 50% of the voting shares.

(3) A company that directly and indirectly holds more than 50% of the voting shares in the Company.

(4) Companies in which the Company holds, directly or indirectly, 90%, or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements or guarantees may not exceed 10% of the net worth of

the Company, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

4、The ceilings on amount of endorsement/guarantee

- (1) The aggregate amount of endorsements/guarantees provided by the Company shall not exceed 25% or more of the net worth of the Company and the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 15% of or more of the net worth of the Company.
- (2) The endorsement or guarantee amount should not exceed past 12 months of total amount of transactions from the company with which the Company does business.
- (3) The aggregate amount of endorsements or guarantees provided by the Company and its Subsidiaries shall not exceed 50 % or more of the net worth of the Company and the amount of endorsements or guarantees provided by the Company and its Subsidiaries for any single entity shall not exceed 20 % or more of the net worth of the Company.
- (4) If the endorsement amount reach 50% of the net worth of the Company, the relation information shall be provided on the shareholders meeting.
- (5) "Subsidiary" and "parent company" as referred to in the Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers of Taiwan.
- (6) The financial statement shall be prepared by international standard; the net worth refers to the equity owned by the company.

5、Procedures for handling endorsement/guarantee

- (1) As conducting the endorsement, the responsible unit shall verify the qualification and submit the application to the chairman for approval. If the quota does not exceed the amount authorized by the board to the chairman. The approval can be made after the endorsement is completed.
- (2) The Finance Unit shall establish and maintain a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the Board of Directors or of authorization by the Chairperson of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under Article 6.
- (3) The Company's internal auditors shall audit the Procedures for Endorsement

and Guarantee and the implementation thereof at least every quarter and prepare written records accordingly. They shall promptly notify the supervisors immediately in writing of any major violation found

- (4) The financial officer shall prepare the record of the endorsement and completion matters monthly and shall reveal related information every quarter for the verification conducted by certified accountants.
- (5) If, due to changes of circumstances, the party to whom the Company provides endorsement and/or guarantee no longer satisfies the criteria, a corrective plan shall be provided to the supervisors and the proposed correction actions should be implemented within the period specified in the plan.
- (6) The financial officer shall retrieve the endorsed note on the due date and cancelled the endorsement.

(Where the company has established the position of independent director, when it makes endorsements/guarantees for others, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.)

6、Procedures for scrutinizing endorsement/guarantee

Any endorsement/guarantee to be provided by the Company shall be examined, evaluated, with a comment made, by the Finance Unit. The evaluation items shall be included:

- (1) The relationship with the Company, usage of the fund and the importance of the operating of that company to our company, and the rationality of the offer.
- (2) The annual statement, financial statement, credit, and risk of the endorsement.
- (3) Analyze the ratio of the endorsement in the net worth of the company, cash flow, and the results of preceding paragraph to assess the risk of the company and the impact on the equity of the shareholders.
- (4) Assess if it's necessary to ask for that company to provide more guarantee.
Conduct the assessment every quarter.
- (5) For circumstances in which an entity for which the company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, relevant follow-up monitoring and control measures shall be expressly prescribed.
- (6) In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under subparagraph 5 of the preceding paragraph, the sum of the share capital plus paid-in capital in

excess of par shall be substituted.

7、Procedures for managing endorsement or guarantee by subsidiaries

(1) As the subsidiary of the company is to offer endorsement, the matter shall be conducted by the related regulations issued by competent authority. Any amendment of the regulation shall be approved by the board and the supervisors.

(2) The endorsement offered by the subsidiary of the company shall be conducted by the internal procedures and shall report to the company on every 5th day of the month for internal audit.

(3) If the subsidiary of the company is not a public company and the endorsement amount has reached the threshold of reporting, the Company shall report the endorsement accordingly on the occurrence date.

(4) Companies in which the Company holds, directly or indirectly, 90%, or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements or guarantees may not exceed 10% of the net worth of the Company, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

8、of decision-making authority and delegation thereof

(1) When the Company makes any endorsement and/or guarantee, the Finance Unit shall submit the evaluation results made in accordance with Article 5 and 6, along with comments and opinions provided by other related units, to the Board of Directors for approval. A pre-determined limit of 100 million dollars may be delegated to the Chairperson by the Board of Directors to facilitate execution and such endorsement /guarantee shall be reported to the most coming Board of Directors' Meeting for ratification. The limit shall not exceed the amount that set forth in Article 5 of endorsement/ guarantee provided by the Company.

(2) In case the above limits have to be exceeded to accommodate business needs, a resolution of the Board of Directors should be obtained and over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion.

When it makes endorsements / guarantees for others, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the Board of Directors' meeting.

9、Procedures for Custody of Corporate Chops

- (1) The Company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop shall be kept in the custody of a designated person approved by the board of directors, and the same applies when any changes are made.
- (2) After the endorsement/guarantee is decided by the board of directors or approved by the chairman, the Application for Chop Use shall be filled in and submitted, together with the approval records and the endorsement/guarantee contract or guaranteed bill and other documentation before negotiable instruments can be sealed or issued.
- (3) The manager shall impress the seal after verifying the approval record.
- (4) When making a guarantee for a foreign company, the Company shall have the Guarantee Agreement signed by a person authorized by the board of directors.

10、Announcement and Reporting Procedures

- (1) The company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.
- (2) The company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
 - a. The endorsement amount reaches 50% of the net worth of the Company.
 - b. The balance of endorsements/guarantees by the company and subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.
 - c. The balance of endorsements and guarantees of the Company and subsidiaries for a single enterprise reaches NTD 10 million or more and the aggregate balance of its endorsements and guarantees for, long-term investment in, and loans to, such enterprise reaches 30% or more of the Company's net worth as stated in its latest financial statement
 - d. The balance of endorsements and guarantees of the Company and subsidiaries increase to reach NT\$30 million or more and reaches 5 percent or more of the public company's net worth as stated in its latest financial statement.

e. The company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.

Date of occurrence” as used herein means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

11 、 Penal Provisions

In case any of the Company’s personnel handling the acquisition or disposal of assets violates the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by the FSC or the Procedures, he/she shall be subject to internal punishment rules according to the circumstances of his/her violation.

12 、 Other regulations

(1) After the Operational Procedures have been approved by the board of directors, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval before being enforced. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor and the shareholders' meeting for a deliberation. The same applies when the Operational Procedures are amended. Where the Company has established the position of independent director, when it submits the Operational Procedures to the board of directors for deliberation in accordance with the preceding paragraph, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

(2) The auditors shall be responsible for the management of the endorsement case by the regulation of Public Company Internal Control Procedure. After the audit report is completed, it shall be verified by the supervisors monthly.

Taiwan Styrene Monomer Corporation

Procedures for Election of Directors (Before amendment)

Article 1 : The election of the directors and supervisors shall follow this rule

Article 2 : The election shall be conducted at the shareholders meeting.

Article 3 : The elected to be a director or supervisor shall be a qualified or capable person for the position.

Article 4 : The seats to be elected shall be determined according to the article of the Company.

Article 5 : Elections of the Company directors shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act. The Company shall review the qualifications, educational background, and work experience, and the existence of any other matters set forth in Article 30 of the Company Act with respect to nominee directors, and may not arbitrarily add requirements of other credentials. It shall further provide the results of the review to shareholders for their reference, so that qualified directors will be elected. The Cumulative Voting System shall be applied to the voting. Every share has notes as the number of director or supervisors to be elected. The votes can be casted on one person or to be divided into multiple candidates. The independent directors shall be elected either.

Article 6 : The number of directors will be as specified in the Company's Articles of Incorporation. The candidates to whom the ballots cast represent a prevailing number of voting rights shall be elected as independent directors or non-independent directors, respectively, based on the results of the election, in descending order. When two or more candidates receive the same number of voting rights, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any candidate not present.

Article 7 : The voting tickets shall be prepared by the board with the seal of the Company; the voting right details and the shareholders serial no. shall be printed on the ticket.

Article 8 : At the beginning of the election, the Chairman shall appoint several persons each to check and record the ballots.

Article 9 : The ballot box used for voting shall be prepared by this Company and checked in public by the person to check the ballots before voting.

Article 10 : If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its

representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.

Article 11 : An on-site ballot shall be invalid if determined by all ballot inspectors to fall in any of the following circumstances:

- 1、The ballot cast is not a ballot as prescribed in these Rules.
- 2、The ballot inserted into the ballot box is a blank ballot.
- 3、The handwriting on the ballot is unclear, indecipherable, or has been altered
- 4、The name of the candidates filled in the ballots being the same as another candidate's name and the respective shareholder's numbers (ID numbers) not being indicated to distinguish them.
- 5、The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
- 6、The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.
- 7、Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.
- 8、The number of candidates filled in the ballot exceeding the number of the seats to be elected.
- 9、The vote right shall be hold by the voters.

Article 12 : The difference of the vote right of the voters shall be deemed as the waiver of the right.

Article 13 : The ballots should be calculated during the meeting right after the vote casting and the results of the election should be announced by the Chairman at the meeting.

If litigation occurs regarding any matter resolved by the Board of Directors before the above retention period expires, the relevant audio or video recordings shall continue to be retained until the litigation is concluded.

Article 14 : This Company shall issue notifications to the directors and supervisors elected.

Article 15 : All matters not covered by these Rules shall be subject to the direction of the chair, unless otherwise expressly provided by the Company Act, the

Securities and Exchange Act, any other applicable laws or regulations, and the Corporation's Articles of Incorporation, Rules of Procedure for Shareholders' Meetings, and Principles of Corporate Governance.

Article 16: These Rules and any revision thereof shall become effective after approval at the shareholders' meeting.

Shareholding Condition of the Directors

- I. The minimum amount of shares shall be held by all the directors: 16,891,832 shares.
- II. By the final day for stock transfer of the annual shareholders' meeting this time, the directors listed on the namebook hold the following shares:

Title	Name	Shares held
Chairperson	LIN, WEN-YUAN, the representative of Taiwan Styrene Monomer Corporation	10,000,000
Vice chairperson	LIU, CHENG-YUAN, the representative of Wonderland Enterprise Co., Ltd.	42,279,209
Director	WANG, CHIUNG-FEN, the representative of Taiwan Styrene Monomer Investment Corporation	10,000,000
Director	CHEN, CHIEN-FU, the representative of Taiwan Styrene Monomer Investment Corporation	10,000,000
Director	LI, SHENG-CHEN, the representative of Chin-Chih-Hung Investment Corporation	1,000,000
Director	CHAO, KUO-SHUAI, the representative of Kai-Chiang Co., Ltd.	200,000
Director	SUN, CHIH-YAO, the representative of An-Ching Development Corporation	200,000
Director	HUANG, PO-HAO, the representative of An-Ching Development Corporation	200,000
Independent director	CHIEN, CHIN-CHENG	0
Independent director	HSU, KAO-WEI	0
Independent director	CHANG, KUO-CHIN	0
Total	53,679,209	

Appendix 8

Related Information About the Compensation of Employees, Directors and Supervisors, 2017

Unit: NT\$

Distribution Item	Distribution Amount (A) decided by the Board	Estimated Amount (B) in the fiscal year	Amount of Difference (A)-(B)	Reason of Difference and Condition of Handling
Compensation for employees	27,439,730	27,439,730	0	
Compensation for directors and supervisors	34,299,663	34,299,663	0	

Appendix 9

Related Information About the Compensation of Employees, Directors and Supervisors, 2018

Unit: NT\$

Distribution Item	Distribution Amount (A) decided by the Board	Estimated Amount (B) in the fiscal year	Amount of Difference (A)-(B)	Reason of Difference and Condition of Handling
Compensation for employees	33,086,131	33,086,131	0	
Compensation for directors and supervisors	41,073,000	41,073,000	0	

Appendix 10

The impact of free share issuance which is going to be discussed in this meeting on the operating performance, earnings per share and the return on investment of shareholders of the company: not applicable.