

Stock Code: 1304

USI Corporation

Handbook for the

2018 Annual General Meeting  
of Shareholders

Date: June 5, 2018

Location: International Performance Hall, ISCC  
Convention Center  
2F, No. 399, Ruiguang Road, Neihu  
District, Taipei City

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**USI Corporation**  
**Procedure of the 2018 Annual General Meeting**  
**of Shareholders**

1. Announcement of the Commencement of the Meeting
2. Chairperson Takes Chair
3. Opening Speech of the Chairperson
4. Report Items
5. Matters for Ratification and Discussion
6. Extemporaneous Motions
7. Adjournment

**USI Corporation**  
**Year 2018**  
**Agenda of Annual General Meeting of**  
**Shareholders**

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

Location: 2F, No. 399, Ruiguang Road, Neihu District, Taipei City

International Performance Hall, ISCC Convention Center

1. Report Items:

- (1) To report 2017 operating results.
- (2) To report Audit Committee's Review Reports of 2017 Financial Statement.
- (3) To report 2017 remuneration of directors and employees.
- (4) To report the amendment to Parliamentary Rules for Directors' Meetings.
- (5) To report the issuance of 2017 unsecured straight corporate bond.
- (6) To report the progress and plan of 2017 Corporate Social Responsibility Report.

2. Matters for Ratification and Discussion:

- (1) To ratify 2017 Business Report and Financial Statements.
- (2) To ratify 2017 earnings distribution.
- (3) To approve the capitalization on part of dividends.
- (4) To approve the permission of director for competitive actions.

3. Extemporaneous Motions:

4. Adjournment

## **I. Report Items:**

Report 1

To report 2017 operating results.

### **USI Corporation 2017 Business Report**

In 2017, the net sales was NT\$11.6 billion, up by 1% compared to last year, with a budget achievement rate at 98%. The net profit before tax was NT\$1.207 billion, NT\$76 million less compared to last year, with a budget achievement rate at 92% and net profit amounting to NT\$1.11 billion.

As a result of annual maintenance after Lunar New Year of New CPC Corporation, Taiwan No.3 Naphtha Cracker and unsmooth operation of No.4 Naphtha Cracker in the second half of year 2017, the contract ethylene supply reduced so that we had to import spot ethylene at expensive price to fill the shortage, thus leading to a 6% raw material cost rise compared to last year. In addition, keen competitions arose in the market of foaming grade and cable grade EVA products in Q3 due to new capacity from China, burdening the market price of solar grade EVA products. Total EVA/PE sold at 261,689 tons reached a new high in history, increased by 1,614 tons compared to last year. Although the average selling price remained the same as in year 2016, profit was compressed as a result of the increase in ethylene cost. In terms of

production, through continuous upgrading and improvements of old equipment, implementation of energy efficiency enhancement and energy conservation, and process workflow improvement, the annual production reached 249,086 tons. In terms of research and development, apart from increasing the added values of solar grade EVA products, we accelerated the development of the applications of optical grade cyclic block copolymer (CBC) in biomedical examinations, food containers, and LCD light guide plates.

In 2017, the operating profit was NT\$504 million, decreased by 39% compared to last year. The net non-operating income, including share of profit or loss of subsidiaries accounted for using the equity method and dividend income, was NT\$690 million. Apart from persistently enhancing concerns for environment and safety, we strengthened predictive maintenance to ensure safety of the working area in all plants. In terms of Corporate Social Responsibility (CSR), we fulfilled CSR in real action by supporting social vulnerable groups and remote rural areas; caring the environment and ecology; and sponsoring educational and charitable groups and service-based clubs of colleges and universities.

Looking out to 2018, the ethylene price will rise easily and drop with difficulty in the first half of the year, as mainland China will continue to tighten environmental audits, the demand for downstream ethylene derivatives will thrive; and the intensive annual maintenance of naphtha crackers in Northeast Asia, etc. The PE price in Q1 will escalate in the support of the high ethylene price and the ban on plastic waste importation and production cut of the coal to olefins industry in mainland China. In terms of EVA,

the price of foaming grade EVA will face higher pressure in the short run under the impact of new capacity from China. Fortunately, the direct impact of such new capacity on solar grade EVA, our main product lineup, is smaller. Furthermore, the annual maintenance of EVA plants in mainland China, South Korea, and Thailand will begin one after another in March, releasing the pressure of EVA oversupply. We will strive to find stable and low-price ethylene sources, develop differentiated products, and optimize portfolios to reduce production cost and enhance product competitiveness in order to pursue sustainable business and development. In addition, we will complete the commissioning of the optical grade CBC plant to set a foundation for smoothening production and marketing in the future. Not only to maintain high product quality and service superiority, we will be more aggressively engaged in research and development to enhance product competitiveness in order to pave way for sustainable development and growth.

Chairperson: Yi-Gui Wu

President: Ke-Shun Wang

Chief Accounting Officer: Chuan-Hua Kuo

## **Report Items:**

Report 2

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

### **USI Corporation**

#### **Audit Report**

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

To

The 2018 Annual General Meeting of Shareholders

Audit Committee, USI Corporation

Independent Director:Chong Chen

Independent Director: Li-Xing Cai

Independent Director:Ying-Jun Hai

March 13, 2018



## **Report Items:**

### Report 3

To report 2017 remuneration of directors and employees.

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

2. The 2017 remuneration for directors will be distributed in cash at 0.45%, NT\$5,500,000, of the 2017 earnings.

3. The 2017 remuneration for employees will be distributed in cash at 1%, NT\$12,246,848, of the 2017 earnings.

## **Report Items:**

### Report 4

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

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

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

## USI Corporation

### The Amendment to the Parliamentary Rules for Directors' Meetings

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

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

from inclusion in the calculation. An independent director shall attend personally or be represented by another independent director for matters that shall be resolved by a board meeting as specified in Articles 14-3 of the Securities and Exchange Act. If an independent director expresses any objection or reservation about a matter, it shall be recorded in the directors' meeting minutes. An independent director intending to express an objection or reservation but unable to attend the meeting in person shall, unless there is some justified reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes.

## **Report Items:**

### Report 5

To report the issuance of 2017 unsecured straight corporate bond.

Description: In order to repay bank loans, the resolution on the issuance of 2017 unsecured straight corporate bond amounting to NT\$2 billion in 2017 was made at the 2<sup>nd</sup> meeting of the 19<sup>th</sup> board of directors. That corporate bond was issued smoothly on October 27, 2017. The placement and issuance of bond are reported as follows:

1. Total issued amount: NT\$2 billion.
2. Term of issuance: Five years.
3. Coupon Rate: Fixed interest rate at 1.10% per annum.
4. Method of interest calculation and payment: Simple interest calculated at the coupon rate once a year.
5. Principal repayment: Lump sum repayment on maturity.
6. Format of bond: The said bond is issued in book-entry, and registration is made through Taiwan Depository & Clearing Corporation.

## **Report Items:**

### Report 6

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

Description: The management policy and progress of the 2017 Corporate Social Responsibility Report and the status of preparation are reported as follows:

1. Governance, environmental, and social topics relating to USI are selected in conformity with GRI G4 Sustainability Reporting Guidelines (GRI G4) and with reference to topics concerning other petrochemical companies and UN SDGs.
2. Report external assurance was completed by Deloitte Taiwan through limited assurance onsite attestation conducted in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised) to enhance report accuracy and credibility.
3. The draft and external assurance have been completed so far, and the Chinese version will be published by the end of June and the English version by the end of August.

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

### Proposal 1

Proposed by the Board

To ratify 2017 Business Report and Financial Statements.

Description: 1. The 2017 financial statements (including individual and consolidated financial statements) approved by the Board on March 13, 2017 are audited by CPA Tzu-Jung Kuo and CPA Shih-Tsung Wu of Deloitte Taiwan and the Audit Committee for the record.

2. Please refer to p. 4-6 of this Handbook for the 2017 Business Report and p. 16-36 for the CPA Audit Report and the financial statements.

Resolution:



## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

USI Corporation

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

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

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

#### Estimation of Inventory Write-downs

As of December 31, 2017, the Company's inventories amounted to NT\$1,343,725 thousand (i.e. net inventory amount at NT\$1,345,890 thousand with a deduction for allowances for impairment of NT\$2,165 thousand) and accounted for 5% of the total assets for the financial statements as a whole. The Company's inventories are stated at the lower of cost or net realizable value and are subject to price fluctuations of ethylene. With volatile oil prices worldwide, the estimation of the net realizable value is affected by management's subjective judgment and evaluation. Thus, the estimation of inventory write-downs, in our professional judgment, is one of the key audit matters. For the estimation of inventory write-downs related to the significant accounting policies and critical accounting judgments and key sources of estimation uncertainty related to the estimation of inventory write-downs, refer to Note 4(e), Note 5(b) and Note 11 to the financial statements.

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

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

#### Recognition of Defined Benefit Liabilities

As of December 31, 2017, the carrying amount of the defined benefit liabilities was NT\$376,438 thousand, and accounted for 1% of the total liabilities for the financial statements as a whole. The carrying amount of defined benefit liabilities comes from actuaries' reports. The assumptions of the actuarial analyses were based on management's subjective evaluation and judgment, which are highly uncertain. Thus, the recognition of net defined benefit liabilities, in our professional judgment, is one of the key audit matters.

For the significant accounting policies and critical accounting judgments and key sources of estimation uncertainty related to the recognition of defined benefit liabilities, refer to Note 4(p), Note 5(f) and Note 21 to the financial statements.

Corresponding audit procedures:

We performed the corresponding audit procedures, for the recognition of defined benefit liabilities, as follows:

1. Evaluated the professional capacity, competency, objectivity and qualification of the independent vocational evaluator engaged by management.
2. Understood and tested the reasonability of the management's information used in the actuarial analyses.
3. Compared the methodology and significant assumption, including discount rates and expected wage growth rates, along with market sensitive information and specific historical data from entrepreneurs, used by management in order to evaluate the appropriateness of management's judgment.

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Tzu-Jung Kuo and Shih-Tsung Wu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 13, 2018

# USI CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,951,190	7	\$ 4,019,984	17
Financial assets at fair value through profit or loss - current	1,680,720	6	2,265,872	9
Debt investments with no active market - current	54,000	-	54,000	-
Notes receivable, net	98,428	1	95,368	-
Accounts receivable, net	1,128,049	4	877,669	4
Accounts receivable from related parties	84,119	1	74,657	-
Other receivables	72,405	-	58,695	-
Other receivables from related parties	566,138	2	397,077	2
Current tax assets	3,254	-	8,104	-
Inventories	1,343,725	5	1,181,733	5
Prepayments	151,889	1	182,626	1
Other current assets	-	-	171	-
Total current assets	<u>7,133,917</u>	<u>27</u>	<u>9,215,956</u>	<u>38</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets - non-current	892,511	3	1,046,653	4
Financial assets measured at cost - non-current	186,650	1	207,697	1
Investments accounted for using the equity method	11,721,808	44	8,503,164	35
Property, plant and equipment	6,536,559	25	5,187,836	21
Investment properties	33,467	-	35,065	-
Intangible assets	33,638	-	54,209	-
Deferred tax assets	75,183	-	81,578	-
Other non-current assets	<u>108,312</u>	<u>-</u>	<u>103,859</u>	<u>1</u>
Total non-current assets	<u>19,588,128</u>	<u>73</u>	<u>15,220,061</u>	<u>62</u>
<b>TOTAL</b>	<u>\$ 26,722,045</u>	<u>100</u>	<u>\$ 24,436,017</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 200,000	1	\$ 400,000	1
Short-term bills payable	-	-	99,980	-
Financial liabilities at fair value through profit or loss - current	5,154	-	1,464	-
Accounts payable	1,208,350	5	752,636	3
Accounts payable from related parties	100,228	-	166,898	1
Other payables	403,848	2	401,507	2
Other payables from related parties	17,720	-	182,348	1
Current tax liabilities	58,642	-	6,184	-
Other current liabilities	<u>82,902</u>	<u>-</u>	<u>75,607</u>	<u>-</u>
Total current liabilities	<u>2,076,844</u>	<u>8</u>	<u>2,086,624</u>	<u>8</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable	5,990,167	22	3,993,064	16
Deferred tax liabilities	137,354	1	160,270	1
Net defined benefit liabilities - non-current	376,438	1	451,228	2
Credit balance for investments accounted for using the equity method	2,841	-	2,970	-
Other non-current liabilities	<u>13,994</u>	<u>-</u>	<u>15,065</u>	<u>-</u>
Total non-current liabilities	<u>6,520,794</u>	<u>24</u>	<u>4,622,597</u>	<u>19</u>
Total liabilities	<u>8,597,638</u>	<u>32</u>	<u>6,709,221</u>	<u>27</u>
<b>EQUITY</b>				
Share capital	<u>11,654,544</u>	<u>44</u>	<u>11,426,024</u>	<u>47</u>
Capital surplus	<u>238,194</u>	<u>1</u>	<u>216,135</u>	<u>1</u>
Retained earnings				
Legal reserve	2,814,630	11	2,695,673	11
Special reserve	375,127	1	411,010	2
Unappropriated earnings	<u>3,548,804</u>	<u>13</u>	<u>3,367,821</u>	<u>14</u>
Total retained earnings	<u>6,738,561</u>	<u>25</u>	<u>6,474,504</u>	<u>27</u>
Other equity	<u>(31,286)</u>	<u>-</u>	<u>85,739</u>	<u>-</u>
Treasury shares	<u>(475,606)</u>	<u>(2)</u>	<u>(475,606)</u>	<u>(2)</u>
Total equity	<u>18,124,407</u>	<u>68</u>	<u>17,726,796</u>	<u>73</u>
<b>TOTAL</b>	<u>\$ 26,722,045</u>	<u>100</u>	<u>\$ 24,436,017</u>	<u>100</u>

USI CORPORATION

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

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

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 11,551,511	100	\$ 11,458,198	100
OPERATING COSTS	<u>10,350,818</u>	<u>90</u>	<u>9,879,153</u>	<u>86</u>
GROSS PROFIT FROM OPERATIONS	1,200,693	10	1,579,045	14
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(1,905)	-	(2,127)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>2,127</u>	<u>-</u>	<u>1,941</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,200,915</u>	<u>10</u>	<u>1,578,859</u>	<u>14</u>
OPERATING EXPENSES				
Selling and marketing expenses	254,971	2	240,300	2
General and administrative expenses	290,739	3	293,766	3
Research and development expenses	<u>151,419</u>	<u>1</u>	<u>221,271</u>	<u>2</u>
Total operating expenses	<u>697,129</u>	<u>6</u>	<u>755,337</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>503,786</u>	<u>4</u>	<u>823,522</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	176,984	2	166,513	2
Other gains and losses	(60,654)	(1)	43,249	-
Finance costs	(43,818)	-	(22,719)	-
Share of profit or loss of subsidiaries accounted for using the equity method	<u>630,640</u>	<u>5</u>	<u>271,995</u>	<u>2</u>
Total non-operating income and expenses	<u>703,152</u>	<u>6</u>	<u>459,038</u>	<u>4</u>
PROFIT BEFORE INCOME TAX	1,206,938	10	1,282,560	11
INCOME TAX EXPENSE	<u>95,648</u>	<u>1</u>	<u>92,990</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>1,111,290</u>	<u>9</u>	<u>1,189,570</u>	<u>10</u>

(Continued)

USI CORPORATION

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

	<u>2017</u>		<u>2016</u>	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (11,231)	-	\$ (48,636)	-
Share of the other comprehensive income of subsidiaries accounted for using the equity method, net of tax	(14,911)	-	(45,047)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>1,909</u>	<u>-</u>	<u>20,020</u>	<u>-</u>
	<u>(24,233)</u>	<u>-</u>	<u>(73,663)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(140,102)	(1)	(43,476)	(1)
Unrealized (loss) gain on available-for-sale financial assets	(76,626)	(1)	195,780	2
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method, net of tax	75,886	1	(20,559)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>23,817</u>	<u>-</u>	<u>7,846</u>	<u>-</u>
	<u>(117,025)</u>	<u>(1)</u>	<u>139,591</u>	<u>1</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(141,258)</u>	<u>(1)</u>	<u>65,928</u>	<u>1</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 970,032</u>	<u>8</u>	<u>\$ 1,255,498</u>	<u>11</u>
<b>EARNINGS PER SHARE</b>				
Basic	<u>\$ 1.06</u>		<u>\$ 1.13</u>	
Diluted	<u>\$ 1.06</u>		<u>\$ 1.13</u>	

**USI CORPORATION**

**STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**(In Thousands of New Taiwan Dollars)**

	Share Capital	Treasury Share Transactions	Capital Surplus			Retained Earnings			Other Equity		Treasury Shares	Total
			Changes in Capital Surplus from Investments in Associates Accounted for Using the Equity Method	Others	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			
BALANCE AT JANUARY 1, 2016	\$ 11,426,024	\$ 185,868	\$ 129	\$ 11,717	\$ 2,607,710	\$ 375,127	\$ 2,947,891	\$ 204,334	\$ (258,186)	\$ (475,606)	\$ 17,025,008	
Appropriation of the 2015 earnings												
Legal reserve	-	-	-	-	87,963	-	(87,963)	-	-	-	-	
Special reserve	-	-	-	-	-	35,883	(35,883)	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	-	-	(571,301)	-	-	-	(571,301)	
Net profit for the year ended December 31, 2016	-	-	-	-	-	-	1,189,570	-	-	-	1,189,570	
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	-	(73,663)	(196,130)	335,721	-	65,928	
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	-	1,115,907	(196,130)	335,721	-	1,255,498	
Changes in retained earnings from investments in subsidiaries accounted for using the equity method	-	-	-	-	-	-	(830)	-	-	-	(830)	
Adjusted capital surplus from cash dividends paid to subsidiaries	-	18,421	-	-	-	-	-	-	-	-	18,421	
BALANCE AT DECEMBER 31, 2016	11,426,024	204,289	129	11,717	2,695,673	411,010	3,367,821	8,204	77,535	(475,606)	17,726,796	
Appropriation of the 2016 earnings												
Legal reserve	-	-	-	-	118,957	-	(118,957)	-	-	-	-	
Special reserve reversal	-	-	-	-	-	(35,883)	35,883	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	-	-	(571,301)	-	-	-	(571,301)	
Share dividends distributed by the Company	228,520	-	-	-	-	-	(228,520)	-	-	-	-	
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	1,111,290	-	-	-	1,111,290	
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(24,233)	(199,084)	82,059	-	(141,258)	
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	1,087,057	(199,084)	82,059	-	970,032	
Changes in capital surplus and retained earnings from investments in subsidiaries accounted for using the equity method	-	-	867	-	-	-	(23,179)	-	-	-	(22,312)	
Other changes in capital surplus	-	-	-	2,771	-	-	-	-	-	-	2,771	
Adjusted capital surplus from cash dividends paid to subsidiaries	-	18,421	-	-	-	-	-	-	-	-	18,421	
BALANCE AT DECEMBER 31, 2017	<u>\$ 11,654,544</u>	<u>\$ 222,710</u>	<u>\$ 996</u>	<u>\$ 14,488</u>	<u>\$ 2,814,630</u>	<u>\$ 375,127</u>	<u>\$ 3,548,804</u>	<u>\$ (190,880)</u>	<u>\$ 159,594</u>	<u>\$ (475,606)</u>	<u>\$ 18,124,407</u>	



**USI CORPORATION**

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

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,206,938	\$ 1,282,560
Adjustments for:		
Depreciation expenses	373,573	221,249
Amortization expenses	26,693	35,861
Net loss on fair value change of financial assets and liabilities as at fair value through profit or loss	55,533	4,797
Finance costs	62,324	50,370
Interest income	(22,755)	(24,053)
Dividend income	(57,681)	(50,977)
Share of profit or loss of subsidiaries accounted for using the equity method	(630,640)	(271,995)
Gain on disposal of property, plant and equipment	(766)	(2,176)
Gain on disposal of financial assets	(45,693)	(102,053)
Impairment loss recognized on financial assets	3,047	-
Inventory write-downs recognized (reversed)	728	(1,799)
Unrealized gain on transactions with subsidiaries	1,905	2,127
Realized gain on transactions with subsidiaries	(2,127)	(1,941)
Changes in operating assets and liabilities		
Decrease in financial assets held for trading	557,393	495,323
Increase in notes receivable	(3,060)	(2,687)
Increase in accounts receivable	(250,380)	(39,575)
(Increase) decrease in accounts receivable from related parties	(9,462)	11,750
Increase in other receivables	(14,594)	(6,467)
Increase in other receivables from related parties	(169,061)	(213,198)
Increase in inventories	(162,720)	(56,590)
Decrease (increase) in prepayments	30,737	(57,560)
Decrease (increase) in other current assets	171	(124)
Decrease in financial liabilities held for trading	(24,084)	(286)
Increase in accounts payable	455,714	97,849
Decrease in accounts payable from related parties	(66,670)	(24,993)
Increase in other payables	1,126	58,372
(Decrease) increase in other payables from related parties	(164,628)	139,436
Increase in other current liabilities	7,295	35,772
Decrease in net defined benefit liabilities	(86,021)	(384,727)
Cash generated from operations	1,072,835	1,194,265
Interest received	23,639	24,089
Interest paid	(56,656)	(57,771)
Income tax paid	(29,134)	(157,999)
Net cash generated from operating activities	<u>1,010,684</u>	<u>1,002,584</u>

(Continued)

**USI CORPORATION**

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

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of available-for-sale financial assets	\$ 123,208	\$ 217,481
Proceeds from capital reduction by returning cash of financial assets measured at cost	18,000	-
Net cash outflow on acquisition of subsidiaries	(330,000)	-
Payments for property, plant and equipment	(1,715,177)	(650,093)
Proceeds from disposal of property, plant and equipment	1,461	1,783
Increase in refundable deposits	(4,160)	(1,746)
Payments for intangible assets	(566)	(2,682)
Increase in other non-current assets	(12,954)	(19,522)
Dividends received	<u>69,601</u>	<u>62,897</u>
Net cash used in investing activities	<u>(1,850,587)</u>	<u>(391,882)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in short-term borrowings	(200,000)	400,000
(Decrease) increase in short-term bills payable	(99,980)	99,980
Proceeds from issue of bonds payable	1,995,421	1,995,421
Repayments of bonds payables	-	(1,000,000)
Increase in guarantee deposits received	40	-
Decrease in guarantee deposits received	-	(6,222)
Acquisition of additional interests in subsidiaries	(2,353,071)	(59,296)
Partial disposal of interests in subsidiaries	-	56,000
Cash dividends paid	<u>(571,301)</u>	<u>(571,301)</u>
Net cash (used in) generated from financing activities	<u>(1,228,891)</u>	<u>914,582</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,068,794)</b>	<b>1,525,284</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b><u>4,019,984</u></b>	<b><u>2,494,700</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>\$ 1,951,190</u></b>	<b><u>\$ 4,019,984</u></b>

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
USI Corporation

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

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

#### Estimation of Inventory Write-downs

As of December 31, 2017, the Group's inventories amounted to NT\$6,857,754 thousand (i.e. net inventory amount at NT\$7,323,736 thousand with a deduction for allowances for impairment of NT\$465,982 thousand) and accounted for 11% of the total assets for the consolidated financial statements as a whole. The Group's inventories are stated at the lower of cost or net realizable value and are subject to price fluctuations of ethylene. With volatile oil prices worldwide, the estimation of the net realizable value is affected by management's subjective judgment and evaluation. Thus, the estimation of inventory write-downs, in our professional judgement, is one of the key audit matters.

For the estimation of inventory write-downs related to the significant accounting policies and critical accounting judgments and key sources of estimation uncertainty related to the estimation of inventory write-downs, refer to Note 4(g), Note 5(b) and Note 11 to the consolidated financial statements.

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

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

#### Recognition of Defined Benefit Liabilities

As of December 31, 2017, the carrying amount of the defined benefit liabilities was NT \$2,419,897 thousand and accounted for 8% of the total liabilities for the consolidated financial statements as a whole. The carrying amount of defined benefit liabilities comes from actuaries' reports. The assumptions of the actuarial analyses were based on management's subjective evaluation and judgment, which are highly uncertain. Thus, the recognition of net defined benefit liabilities, in our professional judgment, is one of the key audit matters.

For to the significant accounting policies, critical accounting judgments and key sources of estimation uncertainty related to the recognition of defined benefit liabilities, refer to Note 4(u), Note 5(g) and Note 25 to the consolidated financial statements.

We performed the corresponding audit procedures for the recognition of defined benefit liabilities, as follows:

1. Evaluated the professional capacity, competency, objectivity and qualification of the independent vocational evaluator engaged by management.
2. Understood and tested the reasonability of the management's information used in the actuarial analyses.
3. Compared the methodology and significant assumption, including discount rates and expected wage growth rates, along with market sensitive information and specific historical data from entrepreneurs, used by management in order to evaluate the appropriateness of management's judgment.

#### **Other Matter**

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

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Tzu-Jung Kuo and Shih-Tsung Wu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 13, 2018

# USI CORPORATION AND SUBSIDIARIES

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

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 8,473,862	13	\$ 11,924,303	19
Financial assets at fair value through profit or loss - current	5,315,894	8	6,601,266	11
Available-for-sale financial assets - current	214,502	-	201,785	-
Debt investments with no active market - current	426,369	1	432,207	1
Notes receivable, net	1,118,070	2	909,025	2
Accounts receivable, net	6,950,029	11	6,141,045	10
Other receivables	344,305	-	259,613	-
Current tax assets	784	-	20,847	-
Inventories	6,857,754	11	6,669,407	11
Prepayments	772,093	1	706,110	1
Other current assets	10,766	-	14,567	-
Total current assets	<u>30,484,428</u>	<u>47</u>	<u>33,880,175</u>	<u>55</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets - non-current	1,863,067	3	1,981,822	3
Financial assets measured at cost - non-current	676,120	1	803,057	1
Debt investments with no active market - non-current	311,573	1	310,660	1
Investments accounted for using the equity method	5,241,747	8	155,219	-
Property, plant and equipment	23,758,495	37	22,804,814	37
Investment properties	182,216	-	189,407	-
Goodwill	269,026	-	269,026	-
Other intangible assets	93,349	-	148,594	-
Biological assets - non-current	22,798	-	23,134	-
Deferred tax assets	632,062	1	742,972	1
Long-term prepayments for leases	525,845	1	387,556	1
Other non-current assets	333,125	1	299,039	1
Total non-current assets	<u>33,909,423</u>	<u>53</u>	<u>28,115,300</u>	<u>45</u>
<b>TOTAL</b>	<u>\$ 64,393,851</u>	<u>100</u>	<u>\$ 61,995,475</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 3,752,268	6	\$ 4,949,168	8
Short-term bills payable	1,684,506	3	2,472,068	4
Financial liabilities at fair value through profit or loss - current	7,883	-	9,027	-
Notes payable and accounts payable	3,965,444	6	3,581,036	6
Other payables	1,972,096	3	1,956,662	3
Current tax liabilities	370,062	1	341,875	1
Provisions - current	32,205	-	23,041	-
Current portion of long-term borrowings	799,600	1	685,400	1
Other current liabilities	279,230	-	273,684	-
Total current liabilities	<u>12,863,294</u>	<u>20</u>	<u>14,291,961</u>	<u>23</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Note 21)	5,990,167	9	3,993,064	6
Long-term borrowings	6,903,148	11	7,247,800	12
Deferred tax liabilities	1,329,710	2	1,371,504	2
Net defined benefit liabilities - non-current	2,419,897	4	2,987,122	5
Other non-current liabilities	79,216	-	84,538	-
Total non-current liabilities	<u>16,722,138</u>	<u>26</u>	<u>15,684,028</u>	<u>25</u>
Total liabilities	<u>29,585,432</u>	<u>46</u>	<u>29,975,989</u>	<u>48</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital	11,654,544	18	11,426,024	19
Capital surplus	238,194	-	216,135	-
Retained earnings				
Legal reserve	2,814,630	4	2,695,673	4
Special reserve	375,127	1	411,010	1
Unappropriated earnings	3,548,804	6	3,367,821	6
Total retained earnings	<u>6,738,561</u>	<u>11</u>	<u>6,474,504</u>	<u>11</u>
Other equity	(31,286)	-	85,739	-
Treasury shares	(475,606)	(1)	(475,606)	(1)
Total equity attributable to owners of the Company	18,124,407	28	17,726,796	29
<b>NON-CONTROLLING INTERESTS</b>	<u>16,684,012</u>	<u>26</u>	<u>14,292,690</u>	<u>23</u>
Total equity	<u>34,808,419</u>	<u>54</u>	<u>32,019,486</u>	<u>52</u>
<b>TOTAL</b>	<u>\$ 64,393,851</u>	<u>100</u>	<u>\$ 61,995,475</u>	<u>100</u>

USI CORPORATION AND SUBSIDIARIES

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

	<u>2017</u>		<u>2016</u>	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales	\$ 58,133,943	100	\$ 53,101,997	100
COST OF GOODS SOLD	<u>51,007,011</u>	<u>88</u>	<u>46,220,862</u>	<u>87</u>
GROSS PROFIT	<u>7,126,932</u>	<u>12</u>	<u>6,881,135</u>	<u>13</u>
OPERATING EXPENSES				
Selling and marketing expenses	2,038,049	3	1,925,541	4
General and administrative expenses	1,322,296	2	1,322,958	2
Research and development expenses	<u>388,920</u>	<u>1</u>	<u>471,152</u>	<u>1</u>
Total operating expenses	<u>3,749,265</u>	<u>6</u>	<u>3,719,651</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>3,377,667</u>	<u>6</u>	<u>3,161,484</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	578,255	1	467,103	1
Other gains and losses	(223,854)	-	(337,287)	(1)
Finance costs	(237,257)	(1)	(211,766)	-
Share of loss of associates and joint ventures	<u>(6,541)</u>	<u>-</u>	<u>(8,310)</u>	<u>-</u>
Total non-operating income and expenses	<u>110,603</u>	<u>-</u>	<u>(90,260)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	3,488,270	6	3,071,224	6
INCOME TAX EXPENSE	<u>776,220</u>	<u>1</u>	<u>713,523</u>	<u>2</u>
NET PROFIT FROM CONTINUING OPERATIONS	2,712,050	5	2,357,701	4
NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	<u>(2,197)</u>	<u>-</u>	<u>21,777</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>2,709,853</u>	<u>5</u>	<u>2,379,478</u>	<u>4</u>

(Continued)



USI CORPORATION AND SUBSIDIARIES

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

	<u>2017</u>		<u>2016</u>	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (59,016)	-	\$ (206,714)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>9,003</u>	<u>-</u>	<u>42,643</u>	<u>-</u>
	<u>(50,013)</u>	<u>-</u>	<u>(164,071)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(416,317)	(1)	(560,356)	(1)
Unrealized gain on available-for-sale financial assets	30,985	-	388,884	1
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>64,791</u>	<u>-</u>	<u>93,092</u>	<u>-</u>
	<u>(320,541)</u>	<u>(1)</u>	<u>(78,380)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(370,554)</u>	<u>(1)</u>	<u>(242,451)</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 2,339,299</u>	<u>4</u>	<u>\$ 2,137,027</u>	<u>4</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 1,111,290	2	\$ 1,189,570	2
Non-controlling interests	<u>1,598,563</u>	<u>3</u>	<u>1,189,908</u>	<u>2</u>
	<u>\$ 2,709,853</u>	<u>5</u>	<u>\$ 2,379,478</u>	<u>4</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 970,032	2	\$ 1,255,498	2
Non-controlling interests	<u>1,369,267</u>	<u>2</u>	<u>881,529</u>	<u>2</u>
	<u>\$ 2,339,299</u>	<u>4</u>	<u>\$ 2,137,027</u>	<u>4</u>

(Continued)

USI CORPORATION AND SUBSIDIARIES

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

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

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	<u>2017</u>		<u>2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
EARNINGS PER SHARE (Note 30)				
From continuing and discontinued operations				
Basic	<u>\$ 1.06</u>		<u>\$ 1.13</u>	
Diluted	<u>\$ 1.06</u>		<u>\$ 1.13</u>	
From continuing operations				
Basic	<u>\$ 1.06</u>		<u>\$ 1.12</u>	
Diluted	<u>\$ 1.06</u>		<u>\$ 1.12</u>	

# USI CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company											Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus			Retained Earnings			Other Equity		Treasury Shares	Total		
		Treasury Share Transactions	Shares of Changes in Capital Surplus of Associates	Others	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets				
BALANCE AT JANUARY 1, 2016	\$ 11,426,024	\$ 185,868	\$ 129	\$ 11,717	\$ 2,607,710	\$ 375,127	\$ 2,947,891	\$ 204,334	\$ (258,186)	\$ (475,606)	\$ 17,025,008	\$ 14,024,285	\$ 31,049,293
Appropriation of the 2015 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	87,963	-	(87,963)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	35,883	(35,883)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(571,301)	-	-	-	(571,301)	-	(571,301)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(550,056)	(550,056)
Net profit for the year ended December 31, 2016	-	-	-	-	-	-	1,189,570	-	-	-	1,189,570	1,189,908	2,379,478
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	-	(73,663)	(196,130)	335,721	-	65,928	(308,379)	(242,451)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	-	1,115,907	(196,130)	335,721	-	1,255,498	881,529	2,137,027
Change in retained earnings from investments in subsidiaries	-	-	-	-	-	-	(830)	-	-	-	(830)	830	-
Adjusted capital surplus from cash dividends paid to subsidiaries	-	18,421	-	-	-	-	-	-	-	-	18,421	-	18,421
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(63,898)	(63,898)
BALANCE, DECEMBER 31, 2016	11,426,024	204,289	129	11,717	2,695,673	411,010	3,367,821	8,204	77,535	(475,606)	17,726,796	14,292,690	32,019,486
Appropriation of the 2016 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	118,957	-	(118,957)	-	-	-	-	-	-
Special reserve reversal	-	-	-	-	-	(35,883)	35,883	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(571,301)	-	-	-	(571,301)	-	(571,301)
Share dividends distributed by the Company	228,520	-	-	-	-	-	(228,520)	-	-	-	-	-	-
Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(807,986)	(807,986)
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	1,111,290	-	-	-	1,111,290	1,598,563	2,709,853
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(24,233)	(199,084)	82,059	-	(141,258)	(229,296)	(370,554)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	1,087,057	(199,084)	82,059	-	970,032	1,369,267	2,339,299
Change in capital surplus and retained earnings from investments in subsidiaries	-	-	867	-	-	-	(23,179)	-	-	-	(22,312)	22,312	-
Other changes in capital surplus	-	-	-	2,771	-	-	-	-	-	-	2,771	-	2,771
Adjusted capital surplus from cash dividends paid to subsidiaries	-	18,421	-	-	-	-	-	-	-	-	18,421	-	18,421
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	1,807,729	1,807,729
BALANCE, DECEMBER 31, 2017	\$ 11,654,544	\$ 222,710	\$ 996	\$ 14,488	\$ 2,814,630	\$ 375,127	\$ 3,548,804	\$ (190,880)	\$ 159,594	\$ (475,606)	\$ 18,124,407	\$ 16,684,012	\$ 34,808,419

**USI CORPORATION AND SUBSIDIARIES**

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

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax from continuing operations	\$ 3,488,270	\$ 3,071,224
Income (loss) before income tax from discontinued operations	<u>(2,197)</u>	<u>21,777</u>
Income before income tax	3,486,073	3,093,001
Adjustments for:		
Depreciation expenses	1,847,241	1,703,112
Amortization expenses	97,310	106,670
Impairment loss recognized (reversed) on accounts receivable	18,830	(996)
Net loss on fair value change of financial assets and liabilities as at fair value through profit or loss	105,887	31,219
Finance costs	252,541	242,193
Interest income	(106,217)	(95,154)
Dividend income	(185,187)	(152,347)
Share of loss of associates and joint ventures	6,541	8,310
Gain on disposal of property, plant and equipment	(9,306)	(19,526)
Loss on disposal of investment properties	497	-
Gain on disposal of financial assets	(108,983)	(89,910)
Loss on impairment of financial assets	32,208	-
Inventory write-downs recognized (reversed)	25,016	(17,130)
(Reversed) impairment loss recognized on non-financial assets	(304)	310,407
Amortization of long-term prepayments for leases	10,008	13,217
Recognition of provisions	18,579	10,102
Changes in operating assets and liabilities		
Decrease (increase) in financial assets held for trading	1,178,341	(243,708)
(Increase) decrease in notes receivable	(209,045)	265,771
Increase in accounts receivable	(827,814)	(363,993)
Increase in other receivables	(45,897)	(18,063)
(Increase) decrease in inventories	(180,386)	322,670
Decrease in biological assets	336	412
Increase in prepayments	(68,250)	(174,869)
Decrease in other current assets	4,070	12,768
(Decrease) increase in notes payable	(144)	243
Increase in accounts payable	384,552	449,945
(Decrease) increase in other payables	(663)	242,299
Decrease in provisions	(9,415)	(8,445)
Decrease in net defined benefit liabilities	(626,240)	(551,694)
Increase in other current liabilities	<u>5,546</u>	<u>91,246</u>
Cash generated from operations	5,095,725	5,167,750
Interest received	67,422	104,444
Interest paid	(246,369)	(253,254)
Income tax paid	<u>(585,059)</u>	<u>(518,471)</u>
Net cash generated from operating activities	<u>4,331,719</u>	<u>4,500,469</u>

(Continued)

**USI CORPORATION AND SUBSIDIARIES**

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

	2017	2016
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of available-for-sale financial assets	\$ -	\$ (16,011)
Proceeds from sale of available-for-sale financial assets	129,156	235,290
Decrease in debt investments with no active market	8,894	540,899
Purchases of financial assets measured at cost	-	(398)
Proceeds from capital reduction by returning cash of financial assets measured at cost	47,993	25,800
Acquisition of investments accounted for using the equity method	(5,150,364)	-
Net cash inflow on acquisition of subsidiaries	999,132	-
Payments for property, plant and equipment	(3,345,584)	(2,465,276)
Proceeds from disposal of property, plant and equipment	38,887	78,656
Decrease in refundable deposits	10	4,139
Payments for other intangible assets	(6,945)	(38,678)
Increase in other non-current assets	(120,611)	(81,936)
Dividends received	<u>185,187</u>	<u>152,347</u>
Net cash used in investing activities	<u>(7,214,245)</u>	<u>(1,565,168)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term borrowings	(1,196,900)	(581,084)
(Decrease) increase in short-term bills payable	(787,562)	192,293
Proceeds from issue of bonds payable	1,995,421	1,995,421
Repayments of bonds payable	-	(1,000,000)
Proceeds from long-term borrowings	16,750,000	5,758,000
Repayments of long-term borrowings	(16,980,452)	(3,309,207)
Decrease in guarantee deposits received	(1,896)	(7,126)
Decrease in other current liabilities	(3,426)	(13,525)
Dividends paid to owners of the Company	(571,301)	(571,301)
Change in non-controlling interests	<u>(53,469)</u>	<u>(613,954)</u>
Net cash (used in) generated from financing activities	<u>(849,585)</u>	<u>1,849,517</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>281,670</u>	<u>(127,897)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,450,441)</b>	<b>4,656,921</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>11,924,303</u>	<u>7,267,382</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 8,473,862</u>	<u>\$ 11,924,303</u>

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

### Proposal 2

Proposed by the Board

To ratify 2017 earnings distribution.

1. In 2017, the net profit was NT\$1,111,290,311. After appropriating NT\$111,129,031 as the legal reserve, the distributable net profit of 2017 is NT\$1,000,161,280. By the end of 2017, the accumulated distributable earnings is NT\$3,437,674,701 and will be distributed as follows:

- (1) Cash dividend: NT\$349,636,323, i.e. NT\$0.3 per share.

- (2) Stock dividend: NT\$233,090,880, i.e. NT\$0.2 per share, or 20 shares per 1,000 shares.

The unappropriated earnings after distribution will be NT\$2,854,947,498.

2. Please refer to p. 39, “Profit Distribution Table”, for details.
3. According to this proposal, the profit of 2017 will first be distributed, and the insufficiency will be

distributed from the profit of previous years.

4. The cash dividends allocated to each shareholder shall be rounded down to a whole dollar amount of New Taiwan Dollars, and the total amount of allocation will be subject to the actual amount allocated.
5. Please authorize the Chairman to set a target date for the distribution of cash dividends after the adoption of this proposal.

Resolution:

**USI Corporation**  
**2017 Profit Distribution Table**

expressed in NTD

Net profit before tax of 2017	1,206,937,949
Less: Income tax	(95,647,638 )
Net profit of 2017	<u>1,111,290,311</u>
Less: Legal reserve	(111,129,031 )
Distributable net profit of 2017	<u>1,000,161,280</u>
Add: Beginning appropriated earnings	2,484,925,012
Less: Retained earnings adjusted for investments made under the equity method	(23,179,147 )
Less: Retained earnings adjusted for the defined benefit plan after re-measurement.	(24,232,444 )
Accumulated distributable earnings at the end of 2017	<u><u>3,437,674,701</u></u>
Distributable items: (total issued shares: 1,165,454,412)	
Cash dividend: 0.3/share	349,636,323
Stock dividend: 0.2/share	233,090,880
Total of distributable items	<u><u>582,727,203</u></u>
Unappropriated earnings at the end of 2017 transferred to the next year	<u><u>2,854,947,498</u></u>

Chairperson: Yi-Gui Wu      President: Ke-shun Wang  
Chief Accounting Officer: Chuan-Hua Kuo



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

### Proposal 3

Proposed by the Board

To approve the capitalization on part of dividends.

Description 1. To enrich operating capital, this proposal is made to have part of dividends NT\$233,090,880 to be issued 23,309,088 new shares, par value at NT\$10 per share, to increase capital NT\$233,090,880.

2. Currently the paid-in capital is NT\$11,654,544,120 divided into 1,165,454,412 shares. After issuing new shares to increase capital, the paid-in capital will be NT\$11,887,635,000 divided into 1,188,763,500 shares.

3. The Board will set another target day for the issuance of stock dividend in this proposal. The dividend at 20 shares per 1,000 shares for the increased shares are determined based on the stake of shareholders registered in the List of Shareholders. Shareholders holding fractional shares after the increase may arrange to combine such shares together to meet the distribution requirements. The Chairman is authorized to contact specified person(s) to subscribe the uncombined

fractional shares that are not combined or after being combined still constitute less than one full share at the face value and distribute such dividends in cash.

4. The rights and obligations of the new shares will be the same as all issued shares.
5. Should the terms and conditions of this proposal be requested to alter by the competent authority, it is proposed that the Board of Directors be authorized to take all required actions.

Resolution:

## Matters for Ratification and Discussion:

### Proposal 4

Proposed by the Board

To approve the permission of director for competitive actions.

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

2. The companies for which Director Ke-shun Wang engage in business within the scope of business of USI are tabulated below. Without harming the interest of USI, it is proposed to allow this act in accordance with the Company Act.

Name of Companies	Title
USI Asia Trading (Shanghai) Co. Ltd.	Chairman
Chong Loong Trading Co., Ltd. (CLT), Cypress Epoch Limited, Dynamic Ever Investments Ltd., Ever Victory Global Limited, Forum Pacific Trading Ltd., Swanlake Traders Ltd., Taiwan United Venture Capital Corp., INOMA Corporation, USI Trading (Shanghai) Co., Ltd., USI Management Consulting Corporation, Union Polymer International Investment Corporation, USI (Hong Kong) Co., Ltd., and Swanson Technologies Corporation	Director

Resolution:

### **III. Extemporaneous Motions**

### **IV. Meeting Adjournment**

# Appendix 1

## Parliamentary Rules for Shareholders' Meetings of USI Corporation

June 6, 2014

Amendments hereto

1. Unless otherwise provided in laws, the Company's shareholders' meetings shall be held in accordance with the Rules.
2. The Company shall prepare an attendance book for shareholders to sign in, or the shareholder present may hand in a sign-in card in lieu of signing on the attendance book. The number of shares *in attendance* shall be calculated in accordance with those indicated on the sign-in cards, plus the number of shares representing the voting rights exercised in an electronic form. Notwithstanding, the number of shares represented by the shareholders who exercise their voting right in an electronic form and attend the meeting in person shall not be counted repeatedly.  
In case a shareholder elects to exercise his/her/its voting power in an electronic form, his/her/its declaration of intention shall be served to the Company two (2) days prior to the shareholders' meeting. Whereas if two (2) or more declarations of the intention are served to the Company, the first declaration received shall prevail, unless an explicit statement to revoke the previous declaration is made in the declaration which comes later. In case a shareholder who has exercised his/her/its voting power in an electronic form intends to attend the shareholders' meeting in person, he/she/it shall, two (2) days prior to the shareholders' meeting and in the same manner previously used in exercising his/her/its voting power, serve a separate declaration to rescind his/her/its previous declaration. In the absence of a timely rescission, the voting right exercised in an electronic form shall prevail.
3. The presence of shareholders in a shareholders' meeting and their voting thereof shall be calculated in accordance with the number of shares.
4. The place for convening the Company's shareholders' meeting shall be the premises of the Company, or any other place convenient for presence of shareholders, and suitable for holding of said meeting. The meeting shall commence no earlier than 9:00AM and no later than 3:00PM on the same day.
5. Where the shareholders' meeting is convened by the Board of Directors, the Chairman of Board shall act as the meeting chairperson. When the

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

If a shareholders' meeting is convened by any other person than the Board of Directors, who has the right to convene the meeting, said person shall preside at that meeting.

6. The Company may designate its attorney-at-law, certified public accountant or other relevant persons to attend the shareholders' meeting. Those handling the business of a shareholders' meeting shall wear an identification card or a armband.

7. The Company shall record with an audio or video tape the whole proceedings of the shareholders' meeting, and said tape shall be kept for at least one (1) year.

8. When the meeting is attended by shareholders representing a majority of the issued shares, the chairperson shall immediately convene the meeting, provided, however, if the statutory quota is not met at the scheduled time for the meeting, the chairperson may postpone the meeting. Provided, however, that the postponement of said meeting shall take place for no more than twice, and the total time postponed shall be no more than one (1) hour. If the meeting has been postponed for twice, but the attending shareholders represent one third or more of the total issued shares, a tentative resolution may be adopted in accordance with the Company Act by a majority of shareholders present at the meeting.

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

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

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

After the close of said meeting, shareholders shall not elect another chairperson to hold another meeting at the same place or at any other place. Provided that where the chairperson declares the adjournment of the meeting in a manner in violation of the Rules, a new chairperson of

the meeting may be elected by a resolution to be adopted by a majority of the voting rights represented by the shareholders attending said meeting to continue the meeting.

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

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

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

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

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

11. A shareholder shall not speak more than two (2) times for one motion, unless he has obtained the prior consent from the chairperson, and each speech shall not exceed five (5) minutes.

If a shareholder violates the above provisions or his speech exceeds the scope of the motion, the chairperson may prevent him from doing so.

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

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

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

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

14. The monitoring and counting personnel shall be designated by the

chairperson, provided, however, that the monitoring personnel shall be a shareholder.

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

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

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

Shareholders may choose to exercise their voting right in an electronic form or by balloting on the site to resolve the motion referred to in the preceding paragraph.

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

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

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

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



related laws.

19. The Rules shall be enforced upon approval by a shareholders' meeting. The same shall apply where the Rules are amended.

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

## Appendix 2

### Articles of Incorporation of USI Corporation

#### Section 1. General Provisions

- Article 1: The Company is incorporated under the Company Act of the Republic of China and named “台灣聚合化學品股份有限公司” and “USI Corporation” in English.
- Article 2: The scope of the Company’s business is specified as follows:
1. Manufacturing, processing and sale of PE plastic raw materials (including ethylene-vinyl acetate copolymer resins).
  2. Manufacturing, processing and sale of PE plastic products (including products of ethylene-vinyl acetate copolymer).
  3. Manufacturing, processing and sale of catalyst and related chemicals required by the plastic industry.
  4. R&D of technology related to the plastic industry, and acquisition, sale and license of know-how and patent right thereof.
  5. Design, manufacturing, processing and sale of plastic processing equipment.
  6. General import/export businesses (other than those requiring special approval).
  7. ZZ99999 Other than business requiring special approval, any business not prohibited or restricted by laws or regulations.
- Article 3: The Company’s head office is situated in Kaohsiung City, Taiwan, the R.O.C., and, when necessary, may set up branches locally or overseas considered by the Company as necessary or adequate for promoting its business.
- Article 4: Public announcements of the Company shall be made in accordance with Article 28 of the Company Act.

#### Section 2. Capital

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

Article 6: The Company's share certificates shall be affixed with the signatures or personal seals of three or more directors of the Company, be assigned with serial numbers, indicate particulars referred to in Article 162 of the Company Act, and be issued upon the competent authority's approval of the registration of incorporation and certification pursuant to the Company Act. For the shares to be issued to the public by the Company, the Company may be exempted from printing any share certificate for the shares issued.

Article 7: The share certificates of the Company shall be registered and state each shareholder's real name. Where there are two (2) persons or more that own the same share or shares, such co-owners shall select one of them to act on behalf of them.

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

Article 9: The transfer of shares shall not be registered within 60 days prior to the convening date of a general shareholders' meeting, or within 30 days prior to the convening date of a special shareholders' meeting, or within five (5) days prior to the record date fixed by the Company for distribution of dividends, bonus or other benefits.

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

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

1. General shareholders' meeting
2. Special shareholders' meeting

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

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

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

Article 12: Resolutions at a shareholders' meeting shall, unless otherwise provided for in Company Act or other laws, be adopted by a majority of eligible votes of the shareholders present, who represent more than a majority of the total issued shares. According to the competent authority's requirements, the voting power at a shareholders' meeting of the Company may be exercised by way of electronic transmission. A shareholder who exercises his/her/its voting power at a shareholders meeting by way of electronic transmission shall be deemed to have attended said shareholders' meeting in person. The related matters shall be implemented in accordance with laws.

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

Act.

- Article 14: Unless no voting right or restricted voting right required under laws or the Articles, each of shares held by each shareholder shall have the right to one (1) vote.
- Article 15: Where any shareholder fails to attend a shareholders' meeting, he/she may appoint a proxy to attend the meeting on behalf of him/her pursuant to the Company Act and exercise power on behalf of him/her. The proxy is not limited to the Company's shareholder.
- Article 16: Unless otherwise provided in the Company Act, a shareholders' meeting shall be chaired by the Company's Chairman of Board. Where the Chairman is absent, the Chairman shall appoint a proxy to act on behalf of him/her pursuant to Article 208 of the Company Act.
- Article 17: Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairperson of the meeting and shall be, together with the shareholders' attendance book and proxy letter, if any, retained at the Company.

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

- Article 18: The Company shall have 9~11 directors who shall be elected by the shareholders' meeting from among the persons with disposing capacity. The total shares of the Company's registered share certificates held by the whole directors shall be no less than the proportion prescribed by the competent securities authority.
- Article 18-1: The directors referred to in the preceding Article shall include at least three (3) independent directors. A candidates nomination system shall be adopted by the Company for election of independent directors and non-independent directors, who shall be elected from the name list of candidates at a shareholders' meeting.  
The professional qualifications, shares held, restrictions on

concurrent positions held, method of nomination and election, and other matters for compliance with respect to independent directors shall be governed by the competent securities authority's related regulations.

Article 18-2: The Company shall establish an Audit Committee pursuant to the Securities and Exchange Act, which shall consist of all independent directors of the Company. The Audit Committee or the committee members shall be responsible for exercising a supervisor's power prescribed by the Company Act, Securities and Exchange Act, and other related laws.

Article 18-3: The Company's Board of Directors may establish other functional committees. The articles of association thereof shall be established by the Board of Directors.

Article 19: Directors shall hold the position for three (3) years and may be re-electable.

Article 19-1: The amounts of remuneration to directors shall be determined by the shareholders' meeting based on the rate prevailing in fellow companies and the directors' participation in and contribution to the Company's operation, regardless of whether or not the Company operates of profit.

Article 20: Functions of the Board of Directors:

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

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

Article 28: (Deleted)

Article 29: (Deleted)

Article 30: The Board of Directors has set up a Secretariat of the Board dedicated to handling the affairs related to the Board of Directors.

## **Section 5. Personnel**

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

Article 32: The Company's managerial personnel shall process the Company's routine affairs per the Chairman's instruction and resolution made by a directors' meeting.

Article 32-1: The Company may purchase liability insurance against the damages to be borne by directors and officers with respect to the scope of business carried out by them during their term of office.

## **Section 6. Financial Report**

Article 33: The Company's fiscal year shall commence from January 1 until December 31 of each year. The Board of Directors shall prepare the following reports at the end of each fiscal year and send them to the general shareholders' meeting for recognition:

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

Article 34: If the Company retains earnings in the current year, it shall allocate the compensation to directors and employees. The compensation to directors shall be no more than 1% of the earnings gained in the current year, while the compensation to employees shall be no less



than 1% of the earnings. Notwithstanding, if the Company retains accumulated losses, it shall reserve the amount to be covered in advance.

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

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

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

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

The Company may make endorsement/guarantee externally due to the Company's business needs or investment needs. The endorsement/guarantee shall be signed by the Chairman on behalf of the Company and comply with the Company's operating procedure for making endorsement/guarantee.

## **Section 7. Bylaw**

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

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

Article 38: The Articles of Incorporation was established on May 15, 1965. (following content omitted) 48<sup>th</sup> amendments hereto were made on June 8, 2016.

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

## Appendix 3

### Parliamentary Rules for Directors' Meetings of USI Corporation

Amended on August 10, 2017

- Article 1: The Rules are established in accordance with Paragraph 8 of Article 26-3 of the Securities and Exchange Act, and the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.
- Article 2: Unless otherwise provided in related laws or the Articles of Incorporation, the main agenda items, operating procedures, required content of meeting minutes, public announcements, and other compliance requirements for directors' meetings of the Company shall be handled in accordance with the Rules.
- Article 3: The directors' meeting shall be convened at least once per quarter. The reasons for calling a board of directors meeting shall be notified to each director at least seven (7) days in advance. In emergency circumstances, however, a meeting may be called at any time. A directors' meeting may be convened in writing or by electronic transmission or fax. All matters set out in the subparagraphs of Paragraph 1 of Article 7 herein shall be specified in the notice of the reasons for calling a directors' meeting, unless in the case of an emergency or with justified reasons, none of them may be raised as an extraordinary motion.
- Article 4: A directors' meeting shall be held at the location and during the business hours of the Company, or at a place and time convenient to all directors and suitable for holding such a meeting.
- Article 5: The Company's Secretariat of the Board shall act as the agenda unit responsible for agenda affairs of the directors' meeting. The agenda unit shall prepare the contents of agenda for directors' meetings and provide comprehensive pre-meeting materials, to be

sent together with the notice of the meeting.

Where a director considers that the pre-meeting materials provided are insufficient, he/she may request the agenda unit to supplement the materials. Where a director considers that materials concerning any motion are insufficient in contents, deliberation of such motion may be postponed by a resolution of the Board of Directors.

Article 6: Agenda of a regular directors' meeting shall at least include the following:

- I. Report:
  - (I) Minutes of last meeting and actions arising.
  - (II) Reporting on important financial and business matters.
  - (III) Reporting on internal audit activities.
  - (IV) Other important matters to be reported.
- II. Discussion:
  - (I) Items discussed and continued from last meeting.
  - (II) Motions to be discussed at this meeting.
- III. Extraordinary motions

Article 7: The Company shall submit the following items for discussion by the Board of Directors:

- I. The Company's business plan
- II. Annual and semi-annual financial reports with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be audited and attested by a certified public accountant (CPA).
- III. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act, and an assessment on effectiveness of the internal control system.
- IV. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposition of assets, derivatives trading, funding to others, and endorsements or guarantees for others.
- V. Offering, issuance, or private placement of any equity-type securities.
- VI. Appointment or discharge of a financial, accounting, or

internal audit officer.

VII. A donation to a stakeholder or a major donation to a non-stakeholder, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to next directors' meeting for retroactive recognition.

VIII. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or Articles of Incorporation to be approved by resolution at a shareholders' meeting or directors' meeting, or any such significant matter as may be prescribed by the competent authority.

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

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

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

Article 8: Apart from matters referred to in Paragraph 1 of the preceding Article, which are required to be submitted for discussion by the

Board of Directors, when the Board of Directors delegates any exercise of its powers pursuant to laws or regulations or the Company's articles of incorporation, matters such as the level and substance of the delegation shall be concretely and specifically set out.

Article 9: When a directors' meeting is held, an attendance book shall be made ready for signature by directors attending the meeting and thereafter made available for future reference.

All directors shall attend the directors' meetings in person. If attendance in person is not possible, they may, pursuant to the Company's Articles of Incorporation, appoint another director to attend as their proxy. Attendance via a video conference is deemed as attendance in person.

A director appointing another director to attend a directors' meeting in his or her place shall in each case give to that director a written proxy stating the scope of authorization with respect to the reasons for meeting.

The proxy referred to in Paragraph 2 may accept a proxy from one person only.

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

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

Article 11: When holding a directors' meeting, the Company may, subject to the contents of agenda, notify personnel of relevant departments or subsidiaries to attend the meeting as nonvoting participants.

When necessary, the Company may also invite certificated public

accounts, attorneys at law, or other professionals to attend as nonvoting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place.

Article 12: When the time of a meeting has arrived and more than a majority of all board directors are present, the meeting chairperson may announce opening of the meeting immediately. If the quorum is still not met at the meeting time, the chairperson shall announce postponement of the meeting, and such postponement shall take place for no more than twice. If the quorum is still not met after postponement for twice, the chairperson shall re-call the meeting following the procedures provided in Paragraph 2 of Article 3 herein.

The term “all board directors” as used in the preceding paragraph and in Paragraph 2.2 of Article 17 herein shall be counted as the number of directors then in office.

Article 13: A directors’ meeting shall be conducted in accordance with the order of business on the agenda as specified in the meeting notice. However, the order may be changed with the approval of a majority of directors present at the meeting.

The meeting chairperson may not declare the meeting closed without the approval of a majority of directors present at the meeting.

If at any time during the proceeding of a directors’ meeting the directors sitting at the meeting fail to reach a majority of the directors present at the meeting; then upon motion by the directors sitting at the meeting, the chairperson shall declare a suspension of the meeting, in which case Paragraph 1 of the preceding Article shall apply mutandis.

Article 14: When the chairperson at a directors’ meeting is of the opinion that a matter has been sufficiently discussed to a degree of putting to a vote, the chairperson may announce the discussion closed and bring the matter to vote.

When a motion comes to a vote at a directors’ meeting, if the chairperson puts the matter before all directors present at the

meeting and none voices an objection, the motion is deemed approved.

In the case of an amendment or substitute to a motion, the chairperson shall decide on the order of voting by combining the amendment or substitute with the same motion. However, if one of the motions has been approved, the other shall be deemed overruled and no further votes are required.

If a vote on a motion requires monitoring and counting personnel, the chairperson shall appoint such personnel, providing that all monitoring personnel shall be directors.

Results of the votes shall be announced on the spot and recorded.

“All directors present at the meeting” referred in Paragraph 2 exclude directors prohibited from exercising voting rights pursuant to Paragraph 1 of Article 16 herein.

Article 15: Except as otherwise stated in the Securities and Exchange Act, Company Act or the Articles of Incorporation, a resolution on a matter at a directors’ meeting requires the approval of a majority of the directors present at the meeting that shall be attended by a majority of all directors.

Article 16: If any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. The provisions of Paragraph 2 of Article 180 of the Company Act, as applied mutatis mutandis under Paragraph 3 of Article 206 of the Company Act, apply to resolutions of a directors’ meetings when a board director is prohibited by the preceding paragraph from exercising voting rights.

Article 17: Minutes shall be prepared of the discussions at directors’ meetings. The meeting minutes shall record the following:  
I. Session (or year), time, and place of meeting.



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

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

  - I. Any matter about which an independent director expresses an objection or reservation that has been included in records or stated in writing.
  - II. Any matter that has not been passed by the audit committee,

but has been adopted with the approval of two-thirds or more of all board directors.

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

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

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

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

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

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

Article 19: The Rules shall be subject to approval by the Board of Directors and submitted to the latest shareholders' meeting. The same shall apply where the Rules are amended. The Rules shall be enforced upon approval by the Board of Directors.

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

## Appendix 4

### USI Corporation Stake of Directors

Title	Name	Stake
Chairperson	Yi-Gui Wu (Representative of Shing Lee Enterprise Ltd.)	294,610,680
Director	Jing-sho Yu (Representative of Shing Lee Enterprise Ltd.)	
Director	Yen-shiang Shih (Representative of Shing Lee Enterprise Ltd.)	
Director	Zhe-Yi Gao (Representative of Shing Lee Enterprise Ltd.)	
Director	Guang-Zhe Huang (Representative of Shing Lee Enterprise Ltd.)	
Director	Ji-Zhong Zhang (Representative of Shing Lee Enterprise Ltd.)	
Independent Director	Chong Chen	0
Independent Director	Cai,Li-Xing	0
Independent Director	Ying-Jun Hai	0
Total Stake of Directors		294,610,680
Stake by Law of Directors		32,000,000

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

2. The total issued shares of USI are 1,165,454,412 shares.

## Appendix 5

### The Impact of Stock Dividend Issuance on Business

**Performance, EPS, and ROE:** No estimates should be disclosed as no financial forecast was made for 2018.

Item	Year	2018 (Estimates)	
Beginning paid-in capital		NT\$11,654,544,120	
Stock dividend of the year (Note 1)	Cash dividend per share	NT\$0.3	
	Stock dividend per share for capitalization with earnings.	0.02 share	
	Stock dividend per share for capitalization with capital reserve.	0 share	
Impact on business performance	Operating income	N/A (Note 2)	
	Rate of increase (decrease) of operating income YOY		
	Net profit after tax		
	Rate of increase (decrease) of net profit after tax YOY		
	EPS		
	Rate of increase (decrease) of EPS YOY		
	Average ROI (reciprocal of average price-earnings ratio (PER))		
Proposed EPS and PER	If issuing dividends in cash for capitalization with earnings		Proposed EPS
			Proposed annual average ROI
	If no capitalization with legal reserve		Proposed EPS
			Proposed annual average ROI
	If issuing dividends in cash for capitalization with earnings without capitalization with legal reserve		Proposed EPS
			Proposed annual average ROI

Note 1: Dividend distribution for 2017 is shown according to the profit distribution proposal resolved by the Board on March 13, 2018.

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

1. The company shall present all basic assumptions for estimates or proposed data.

2. Proposed EPS for issuing dividends in cash for capitalization with earnings.  
= [Net profit after tax – Imputed interest for cash dividends\* x (1 – Tax rate)] ÷ [**Total Issued Shares by End of Year – Number of Shares with Dividends\*\***]  
Imputed interest for cash dividends\* = Amount of capitalization with earnings x General interest rate for one-year loan  
Number of Shares with Dividends\*\*: The number of shares increased from the stock dividends in the previous year.
3. Annual PER: Annual Average Market Price Per Share ÷ EPA in the Annual Financial Statement

Chairman:

Manager:

Case Officer:

## Appendix 6

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

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