



Ho Tung Chemical Corp.  
2021 Annual Shareholders' Meeting

**Meeting Handbook**

Meeting Date: June 22, 2021

Venue: 1F., No. 6, Section 1, Jung-Shing Rd., Wugu District, New Taipei City

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**Ho Tung Chemical Corp.**  
**Procedure for the 2021**  
**Annual Shareholders' Meeting**

- I. Call the Meeting to Order
- II. Chairman's Remarks
- III. Report Items
- IV. Ratification Items
- V. Discussion Items
- VI. Extemporaneous Motion
- VII. Adjournment

# **Ho Tung Chemical Corp.**

## **Agenda for the 2021 Annual Shareholders' Meeting**

Time: 9:00 a.m., Tuesday, June 22, 2021

Venue: 1F., No. 6, Section 1, Jung-Shing Rd., Wugu District, New Taipei City

Attendants: All shareholders and equity representatives

Chairman: Chairman You-Jye Yang

### **I. Calling the Meeting to Order**

### **II. Chairman 's Remarks**

### **III. Report Item**

- I. 2020 Business Report
- II. 2020 Audit Committee's Review Report
- III. 2020 Employee and Director Remuneration Distribution Report
- IV. 2020 Endorsement and Guarantee
- V. Amendment to the Report on the Rules of Procedure for Board of Directors Meetings
- VI. Reporting of Shareholders' Proposals

### **IV. Ratification Item**

- I. 2020 Business Report and Financial Statements
- II. 2020 Earnings Distribution

### **V. Discussion Matters**

- I. Discussion on the Proposed Amendments to the Rules of Procedure of the Shareholders' Meeting of the Company

### **VI. Extemporaneous Motions**

### **VII. Adjournment**

## **Report Item**

Item I 2020 Business Report.

Explanation: Please refer to Attachment 1 on Page 7 of the Handbook for the 2020 Business Report.

Item II 2020 Audit Committee's Review Report.

Explanation: Please refer to Attachment 2 on Page 9 of the Handbook for the Audit Report of the Audit Committee.

Item III 2020 Employee and Director Remuneration Distribution Report.

Explanation: 1. This was performed in accordance with Article 29 of the Company's Articles of Incorporation.

2. The 9<sup>th</sup> Meeting of the 14<sup>th</sup> Board of Directors of the Company resolved to distribute the employees' and directors' remuneration in 2020 by cash, and the amounts were respectively NT\$5,989,000 and \$7,500,000.

Item IV 2020 Endorsement and Guarantee.

Explanation: The Company and its' subsidiaries' endorsement and guarantee for 2020 are:

Unit: NT\$ thousand

Endorsement/Guarantee Provider Name	Subject of Endorsements/Guarantees		Endorsement and Guarantee Closing Balance	Actual Expenditure
	Name of the Company	Relationship (Note 1)		
Ho Tung Chemical Corp.	Sharpinvest International Ltd.	2	85,440,000	0
Hsin Tay Petroleum Co., Ltd.	Chenergy Global Corp.	4	190,000,000	190,000,000
Jintung Petroleum Corp., Ltd.	Anhui Jintung Fine Chemical Corp., Ltd.	2	131,022,000	0
Jiangsu Jintung Chemical Corp., Ltd	Jiangsu Jintung Surfactant Corp., Ltd.	2	873,480,000	0
			1,279,942,000	190,000,000

Note 1: The relationships between the endorsement and guarantee provider and subject are as follows:

- (1) A company that has business transactions with the Company.
- (2) A company in which the Company directly or indirectly holds more than 50 percent of the voting rights.
- (3) A company that directly or indirectly holds more than 50 percent of the voting rights of the Company.
- (4) Among companies in which the Company directly or indirectly holds more than 90 percent of the voting rights, and vice versa.

Item V Amendment to the Report on the Rules of Procedure for Board of Directors Meetings.

Explanation: In accordance with Jing-Guan-Zheng-Fa-Zi No. 1090338980, dated May 29, 2020, the “Rules of Procedure for Board of Directors Meetings” of the Company were amended and approved by the resolution of the 8<sup>th</sup> meeting of the 14<sup>th</sup> Board of Directors of the Company, please refer to Attachment 3 on pages 9~15 of this handbook for the rules of procedure for board meetings.

Item VI The Reporting of the Shareholders’ Proposals.

Explanation: 1. The report of review results of the accepted proposals raised by the shareholders who held more than 1 % of the outstanding shares of the Company.

2. Proposed by: Shareholder Account No. 399232, Ms. CHOU, FENG-CHU.

3. Contents of the Proposal: Please provide the information about the Amount of Bad Debts/Credit Impairment, which was NT\$725,550,000, on the 2020 financial statements in detail.

4. The review results by the Board: In accordance with Paragraph 4, Article 172-1 of the Company Act, the contents of the shareholder’s proposal was not the matter which can be resolved by the shareholders’ meeting of the Company, and it was listed in the matters to be reported in the annual shareholders’ meeting.

## **Ratification Item**

Proposal 1 (Proposed by the Board of Directors)

Proposal: 2020 Business Report and Financial Statements Proposal for ratification..

Explanation: I.The Company's 2020 Parent Company Only Financial Report and

Consolidated Financial Report have received an audit report with unqualified opinion issued by CPAs Tsung-Hsi Lai and Chao-Ming Wang from PwC Taiwan. These reports have been submitted to the Board of Directors along with the 2020 Business Report for resolution and the Audit Committee for review. No discrepancy has been found and a review report has been issued.

II. For the 2020 Business Report and the financial statements, please refer to Attachment 1 on Page 7 and Attachment 4 on Page 19-49 of this Handbook.

III. To be adopted by the Annual Shareholders' Meeting.

Resolution:

Proposal 2 (Proposed by the Board of Directors)

Proposal: 2020 Earnings Distribution

Explanation: I. The 2020 Distribution of Earnings Proposal has been approved by the Board of Directors and received the Audit Committee's Audit Report.

II. Please refer to Attachment 4 on Page 21 of the Handbook for the Distribution of Earnings.

III. To be adopted by the Annual Shareholders' Meeting.

Resolution:



## **Discussion Item**

Proposal 1 (Proposed by the Board of Directors)

Proposal: Discussion on the Proposed Amendments to the Rules of Procedure of the Shareholders' Meeting of the Company

Explanation: I. In accordance with Jing-Guan-Zheng-Fa-Zi No. 1090338980, dated May 29, 2020 and Jing-Guan-Zheng-Jiao-Zi No. 1090150567, dated May 29, 2020 issued by the Financial Supervisory Commission, the Company proposes to amend certain provisions of the "Rules of Procedure for Board of Directors Meetings", please refer to Attachment 2 on Page 8 of this handbook for the comparison table of amendments to the "Rules of Procedures for Shareholders' Meetings".

II. To be adopted by the Annual Shareholders' Meeting

Resolution:

## **Extemporaneous Motion**

## **Adjournment**

## Ho Tung Chemical Corp. 2021 Business Report

### Performance in 2020

The global economy was hit hard by the pandemic last year, as a result, causing the stagnation of global economic activities and the low price of raw materials. Meanwhile, the cleaning products market booms due to the epidemic. The Group adopt the strategies of reducing costs and integrating inner resources, to get through the hard times. In 2020, operating income was NT\$5,931,094 thousands, realizing an increase of NT\$ 1,846,613 thousands comparing to last years' NT\$4,084,481 thousands; operating interest was NT\$1,555,045 thousands, realizing an increase of NT\$ 135,450 thousands comparing to last years' loss of NT\$135,450 thousands; net profit of this term was NT\$1,686,431 thousands, realizing an increase of NT\$ 1,668,611 thousands comparing to last years' NT\$17,820 thousands. Consolidated operating income was NT\$25,849,191 thousands, suffering a decrease of NT\$ 1,610,446 thousands comparing to last years' NT\$27,459,637 thousands; operating interest was NT\$3,633,445 thousands, realizing an increase of NT\$ 2,773,480 thousands comparing to last years's NT\$859,965 thousands; net profit of the term was NT\$2,399,546 thousands, realizing an increase of NT\$ 2,040,922 thousands comparing to last years' NT\$358,624 thousands.

NT\$1,555,045 thousand, up NT\$1,690,495 thousand from NT\$135,450 thousand last year, and net income was NT\$1,686,431 thousand, up NT\$1,668,611 thousand from NT\$17,820 thousand last year. Consolidated net income was NT\$25,849,191 thousand, a decrease of NT\$1,610,446 thousand compared to NT\$27,459,637 thousand of last year, and operating income was NT\$3,633,445 thousand, an increase of NT\$2,773,480 thousand compared to

NT\$859,965 thousand of last year. Net income for the period was \$2,399,546 thousand, an increase of \$2,040,922 thousand compared to \$358,624 thousand last year.

### **Envisioning 2021**

Although the global economic environment is still affected by the epidemic, the foreseeable unlocking of economic activities and the overall economic recovery is expected to push up the oil price slowly. Due to the failure of the Group's subsidiary, Jiangsu Jintung, in 109, the overall supply of detergent raw materials will still fall short of demand in the first half of the year. However, it is expected that the market will change again in the second half of the year due to increased production and supply from the industry. The Company will first keep up with the trend of international market, China market deployment and upstream and downstream production capacity, and then cooperate with market peers strategically to enhance the diversity of product choices to maximize the Group's interests.

In addition to closely observing and responding to price changes in the upstream and downstream markets, the Company will strive to maintain good relationships with suppliers, sign long-term contracts to secure stable raw materials, and actively improve production efficiency to reduce production costs and enhance the Group's competitiveness. With the two goals of product refinement and market segmentation and a reasonable strategic alliance, we will further improve our investment in base products and promote our other interface-activated products.

Chief Director: Yang, You-JYE

Manager: Chen, Yi-Ju

Accounting Supervisor: Lin, Hui-Yen

## **Ho Tung Chemical Corp. Audit Committee's Review Report**

The Board of Directors has submitted the 2020 Business Report, Financial Statements and Surplus Distribution Proposal of the Company. The CPAs from PwC Taiwan have audited and certified the financial statements and issued an audit report. The aforementioned business reports, financial statements and surplus distribution proposal have been audited and certified by the Audit Committee with the opinion that no discrepancy has been found. The above is hereby reported in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To: 2021 Shareholders' Meeting

Ho Tung Chemical Corp.

Convener of the Audit Committee:

May 12, 2021

## **Ho Tung Chemical Corp. Rules of Procedure for Board of Directors Meetings**

### Article 1 (Basis for the adoption of these Rules)

To establish a strong governance system and sound supervisory capabilities for the Company's board of directors and to strengthen management capabilities, these Rules are adopted pursuant to Article 2 of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies".

### Article 2 (Scope of these Rules)

With respect to the board of directors meetings ("board meetings") of the Company, the main agenda items, working procedures, required content of meeting minutes, public announcements, and other compliance requirements shall be handled in accordance with the provisions of these Rules.

### Article 3 (Convening and notice of board meetings)

The board of directors shall meet at least quarterly.

A notice of the reasons for convening a board meeting shall be given to each director and supervisor before 7 days before the meeting is convened. In emergency circumstances, however, a board meeting may be called on shorter notice.

The notice to be given under the preceding paragraph may be effected by writing, electronic transmission (E-mail) or facsimile with the prior consent of the recipients.

All matters set forth under Article 12, paragraph 1 of these Rules shall be specified in the notice of the reasons for convening a board meeting. None of those matters may be raised by an extraordinary motion except in the case of an emergency or for other legitimate reason.

### Article 4 (Meeting notification and meeting materials)

The designated unit responsible for the board meetings of the Company shall be "Services Room"

The unit responsible for board meetings shall draft agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting.

A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for

board meetings. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the board of directors.

Article 5 (Preparation of attendance book and other documents; attendance by proxy)  
When a board meeting is held, an attendance book shall be provided for signing-in by attending directors, which shall be made available for future reference.

Directors shall attend board meetings in person. A director unable to attend in person may appoint another director to attend the meeting in his or her place in accordance with the Company's articles of incorporation. Attendance by videoconference will be deemed attendance in person.

A director who appoints another director to attend a board meeting shall in each instance issue a proxy form stating the scope of authorization with respect to the reasons for convening the meeting.

The proxy referred to in paragraph 2 may be the appointed proxy of only 1 person.

Article 6 (Principles for determining the place and time of a board meeting)

The Company's board meeting shall be held at the premises 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 7 (Chair and acting chair of a board meeting)

Board meetings shall be convened and chaired by the chairperson of the board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.

Where a meeting of the board of directors is called by a majority of directors on their own initiative in accordance with Article 203, paragraph 4 or Article 203-1, paragraph 3 of the Company Act, the directors shall choose one person by and from among themselves to chair the meeting.

When the chairperson of the board is on leave or for any reason unable to exercise the powers of chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson is also on leave or for any reason unable to exercise the powers of vice chairperson, the chairperson shall appoint one of the managing directors to act, or, if there are no managing directors, one of the directors shall be appointed to act as chair. If no such designation is made by the chairperson,

the managing directors or directors shall select one person from among themselves to serve as chair.

Article 8 (Reference materials, non-voting participants, and holding board meetings)

When a board meeting is held, the management shall furnish the attending directors with relevant materials for ready reference.

As merited by the content of a proposal to be put forward at a board meeting, personnel from a relevant department or a subsidiary may be notified to attend the meeting as non-voting participants.

When necessary, certified public accountants, attorneys, or other professionals retained by the Company may also be invited to attend the meeting as non-voting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place.

The chair shall call the board meeting to order at the appointed meeting time and when more than one-half of all the directors are in attendance.

If one-half of all the directors are not in attendance at the appointed meeting time, the chair may announce postponement of the meeting time, provided that no more than two such postponements may be made. If the quorum is still not met after two postponements, the chair shall reconvene the meeting in accordance with the procedures in Article 3, paragraph 2.

The number of “all directors”, as used in the preceding paragraph and in Article 16, paragraph 2, subparagraph 2, shall be counted as the number of directors then actually in office.

Article 9 (Documentation of a board meeting by audio or video)

Proceedings of a board meeting shall be recorded in their entirety in audio or video, and the recording shall be retained for a minimum of 5 years. The record may be retained in electronic form.

If any litigation arises with respect to a resolution of a board meeting before the end of the retention period of the preceding paragraph, the relevant audio or video record shall be retained until the conclusion of the litigation.

Where a board meeting is held by videoconference, the audio or video documentation of the meeting constitutes part of the meeting minutes and shall be retained for the duration of the existence of the Company.

Article 10 (Agenda Items)

Agenda items for regular board meetings of the Company shall include at least the following:

1. Matters to be reported:

A. Minutes of the last meeting and action taken.

B. Important financial and business matters.

- C. Internal audit activities.
  - D. Other important matters to be reported.
2. Matters for discussion
    - A. Items for continued discussion from the last meeting.
    - B. Items for discussion at this meeting.
  3. Extraordinary motions.

Article 11 (Discussion of proposals)

A board meeting shall follow the agenda given in the meeting notice. However, the agenda may be changed with the approval of a majority of directors in attendance at the board meeting.

The chair may not declare the meeting closed without the approval of a majority of the directors in attendance at the meeting.

At any time during the course of a board meeting, if the number of directors sitting at the meeting does not constitute a majority of the attending directors, then upon the motion by a director sitting at the meeting, the chair shall declare a suspension of the meeting, in which Article 8, paragraph 3 shall apply mutatis mutandis.

Article 12 (Matters requiring discussion at a board meeting)

The matters listed below as they relate to the Company shall be raised for discussion at a board meeting:

1. The Company's business plan.
2. Annual financial report and second quarter financial statement subject to be audited by a certified public accountant(CPA).
3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act and assessment of the effectiveness of the internal control system.
4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.
5. The offering, issuance, or private placement of equity-type securities.
6. The appointment or discharge of a financial, accounting, or internal audit officer.
7. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.
8. Any matter that, under Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw, must be approved by resolution at a



shareholders meeting or board meeting, or any material matter as may be prescribed by the competent authority. With respect to the matters which must be approved by resolutions at a board meeting as provided in Article 14-3 of the Securities and Exchange Act, all independent directors shall attend the meeting or appoint another independent director to attend the meeting as proxy. If an independent director objects to or expresses reservations about such a matter, it shall be recorded in the board meeting minutes; if an independent director intends to express an objection or reservation but is unable to attend the meeting in person, then unless there is a legitimate reason to do otherwise, that director shall issue a written opinion in advance, which shall be recorded in the board meeting minutes.

9. The remuneration of directors and managerial officers shall be decided in a discussion of a board meeting after recommendations are made by the remuneration committee.

The term “related party” in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term “major donation to a non-related party” means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year.

The term “within a 1-year period” in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of directors meeting is convened. Amounts already submitted to and passed by a resolution of the board are exempted from inclusion in the calculation.

### Article 13 (Voting-I)

When the chair at a board meeting is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call a vote.

When a proposal comes to a vote at a board meeting, if no attending director voices an objection following an inquiry by the chair, the proposal will be deemed approved. If there is an objection following an inquiry by the chair, the proposal shall be brought to a vote.

One voting method for proposals at a board meeting shall be selected by the chair from among those below, provided that when an attending director has an objection, the chair shall seek the opinion of the majority to make a decision:

1. A show of hands or a vote by voting machine.

2. A roll call vote.
3. A vote by ballot.
4. A vote by a method selected at the Company's discretion.

“Attending directors”, as used in the preceding two paragraphs, does not include directors that may not exercise voting rights pursuant to Article 15, paragraph 1.

Article 14 (Voting-II and methods for vote monitoring and counting)

Except where otherwise provided by the Securities and Exchange Act and the Company Act, the passage of a proposal at a board meeting shall require the approval of a majority of the directors in attendance at a board of directors meeting attended by a majority of all directors.

The board of directors may not adopt or amend the recommendations made by the remuneration committee regarding the remuneration of directors and managers provided that more than two-thirds of all directors are present and a majority of directors present agree. Moreover, by resolution, the board of directors shall state whether the remuneration approved by the board of directors is superior to that of the remuneration committee.

When there is an amendment or alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. If any one among them is passed, the other proposals shall then be deemed rejected, and no further voting on them shall be required.

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

Voting results shall be made known on-site immediately and recorded in writing.

Article 15 (Recusal system for directors)

If a director or a juristic person that the director represents is an interested party in relation to an 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 interest of the Company, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.

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

Where a director is prohibited from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 180, paragraph 2 of the Company Act apply mutatis mutandis in accordance with Article 206, paragraph 4 of the same Act.

Article 16 (Meeting minutes and sign-in matters)

Discussions at a board meeting shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:

1. The meeting session (or year) and the time and place of the meeting.
2. The name of the chair.
3. The directors' attendance at the meeting, including the names and the number of directors in attendance, excused, and absent.
4. The names and titles of those attending the meeting as non-voting participants.
5. The name of the minute taker.
6. The matters reported at the meeting.
7. Agenda items: the method of resolution and the result for each proposal; 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; and any opinion issued in writing by an independent director pursuant to Article 12, paragraph 2.
8. Extraordinary motions: The name of the mover, the method of resolution and the result, a summary of the comments of any director, expert, or other person; 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; and their objections or reservations and any recorded or written statements.
9. Other matters required to be recorded.

The occurrence of any of the following circumstances, with respect to a resolution passed at a board meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission, within 2 days from the date of the meeting:

1. Any objection or expression of reservations by an independent director expresses of which there is a record or written statement.
2. A resolution is adopted with the approval of two-thirds or more of all

directors, without having been passed by the audit committee of the Company.

3. The remuneration approved by the board of directors is superior to that recommended by the remuneration committee and the circumstances and reasons for the difference shall be specified in the minutes of the board meeting.

The attendance book constitutes part of the minutes for each board meeting and shall be retained for the duration of the existence of the Company.

The minutes of a board meeting shall bear the signature or seal of both the chair and the minute taker, and a copy of the minutes shall be distributed to each director and supervisor within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of the Company.

The meeting minutes of paragraph 1 may be produced and distributed in electronic form.

Article 17 (Principles with respect to the delegation of powers by the board)

With the exception of matters required to be discussed at a board meeting under Article 12, paragraph 1, when the board of directors appoints a party to exercise the powers of the board in accordance with applicable laws and regulations or the Company's articles of incorporation, the levels of such delegation and the content or matters it covers shall be definite and specific

Article 18 (Meeting of board of managing directors)

If the Company has managing directors, the provisions of Article 2, Article 3, paragraph 2, Articles 4 to 6, Articles 8 to 11, and Articles 13 to 16 apply, mutatis mutandis, to the Company's meetings of the board of managing directors, provided that when meetings of the board of managing directors are held at regular intervals of 7 days or less, notices of such meetings may be given to each managing director before 2 days before the meeting.

Article 19 (Supplementary provisions)

These Rules of Procedure shall be adopted by the approval of meeting of the board of directors and shall be reported to the shareholders meeting.

Article 20 These Rules were established by the board of directors on December 28, 2006, first amended on March 20, 2008, second amended on April 22, 2010, third amended on October 28, 2011, fourth amended on October 25, 2012, fifth amended on March 30, 2017 and seventh amended on March 30, 2020.

**Consolidated Financial Statements and  
Independent Auditors' Report**

**Ho Tung Chemical Corp. and Its Subsidiaries**

**Consolidated Financial Statements**

**and Independent Auditors' Report**

For the Years Ended December 31, 2020 and 2019

(Stock Code: 1714)

Address: No. 1, Zhugong 2nd Ln., Zhuho Vil., Renwu Dist., Kaohsiung  
City

Telephone: (02) 8976-9268

Ho Tung Chemical Corp.

Declaration of Consolidated Financial Statements of Affiliated Companies

We hereby declared that

The information of the companies that should be included when preparing the consolidated financial reports for the affiliated enterprises according to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” and the companies that should be included when preparing the consolidated financial reports for the parent and subsidiary companies according to International Financial Reporting Standards No. 10 for the year ended December 31, 2020 for our company are the same. The relevant information required to be disclosed on the consolidated financial reports of the affiliated company has been disclosed on the consolidated financial reports for the parent and subsidiary companies. Therefore, the consolidated financial reports won't be prepared separately.

Company Name: Ho Tung Chemical  
Corp.

Chairman: YANG, YOU-JYE

March 25, 2021

## **Independent Auditors' Report**

(110) TSAI-SHEN-PAO-TZU No. 20005091

To the Board of Directors and Shareholders of Ho Tung Chemical Corp.

### **Opinion**

We have audited the Consolidated Balance Sheets of Ho Tung Chemical Corp. and its subsidiaries (hereinafter referred to as "the Group") as of December 31, 2020 and 2019, the Consolidated Comprehensive Income Statement of January 1 to December 31, 2020 and 2019 as well as the Consolidated Statement of Changes in Equity, Consolidated Statements of Cash Flows and Consolidated Financial Statement Notes (including significant accounting policies summary).

In our opinions and based on the audit results of us and the audit reports of other CPAs (refer to the Section of Other Matters), the compilations of the above consolidated financial statements present fairly, in all material respects, of the consolidated financial status of December 31, 2020 and 2019 in the Group and the consolidated financial performance and consolidated cash flow of January 1 to December 31, 2020 and 2019 prepared according to Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### **Basis for Opinion**

The audit of the financial statements for the year ended December 31, 2020 was conducted by us in accordance with "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants", "CHIN-KUAN-CHENG-SHEN-TZU No. 1090360805 Letter Sent by the Financial Supervisory Commission on February 25, 2020" and Generally Accepted Auditing Standards (GAAS) of the Republic of China; the audit of the financial statements for the year ended December 31, 2019 was conducted by us in accordance with "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and Generally Accepted Auditing Standards (GAAS) of the Republic of China. Our responsibilities under these standards will be further explained in the paragraph about the external auditor's responsibility on auditing. We are independent of the Group in accordance with Code of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on the audit results of us and the audit

reports of other CPAs, we believe we have obtained sufficient and appropriate auditing evidence as the basis to express our audit opinions.

## **Key Audit Matters**

Key audit matters refer to the most important matters on the audits to the Group's consolidated financial statements for the year ended December 31, 2020 based on professional judgment. The matters have been responded on the whole audited consolidated financial statements and during the process of the expression of the audit opinions. There, we won't express opinions separately towards the matters.

The key audit matters in the Group's consolidated financial statements for the year ended December 31, 2020 are as follows:

### **The accurate timing of export revenue recognition**

#### Description

Please refer to Note XXIX to the consolidated financial report for details of the accounting policies for operating income.

The Group's sales of chemical-related products are mainly in foreign trade, and it transfers the control of the promised goods to the buyer and recognizes revenue at the time of the transfer of control. Delivery occurs when the product is delivered to the buyer, when the product is shipped to a specified location, when the risk of obsolescence and loss is transferred to the customer, and when the customer accepts the product pursuant to the sales contract, or when there is objective evidence that all acceptance criteria have been met. As the transaction amount is significant and sales revenue is a key indicator in determining the achievement of operating and financial objectives and investors' expectations, the timing of revenue recognition close to the date of the financial statements may not be appropriate, and we therefore list the correct timing of the recognition of the Group's export revenue as one of the most important matters in the current year's audit.

#### How the matter was addressed in our audit

The procedures that the accountant has performed in response to the above critical audits are summarized below:

1. Review sales contracts and orders to confirm that revenue recognition is consistent with the terms of the contracts and their related trading conditions.
2. Analyze the changes in sales of various products to understand and recognize the nature of the significant changes.
3. Conduct a sample test on the export revenue in an appropriate period after the date of the financial statements, including the content of the transaction



agreement, terms of trade and relevant supporting documents, and recognize the revenue in an appropriate period.

## **Valuation of accounts receivable**

### Description

Please refer to Notes IV(IX), IV(X), V(II), VI(V) and VII(II) to the consolidated financial statements for the accounting policy, accounting estimates and assumptions and description of accounting items for the impairment assessment of the accounts receivable.

The assessment of impairment of accounts receivable by the Group was based on an individual assessment of the probability of collection of accounts receivable and a collective assessment of expected credit losses. The assessing process of the impairment of accounts receivable was affected by several factors, such as the financial conditions of customers, the Group's internal credit rating, and historical transaction history. This may affect the factor assessment of the customers' credit quality and involve the subjective judgement of the management with high uncertainty in the estimate. Considering that the evaluation of the Group's accounts receivable and their evaluation amounts have a significant effect on the consolidated financial statements and the valuation of accounts receivable shall be decided by using judgement and estimate, we thus listed the valuation of accounts receivable as one of the key audit matters.

### How the matter was addressed in our audit

The procedures that have been performed in respect of the above critical audit matters are set out below:

1. Understand and evaluate the policies and internal controls related to credit risk management and impairment assessment of accounts receivable.
2. Review the supporting documents provided by management to assess the reasonableness of the collection possibility for significant accounts receivable beyond the normal credit period.
3. Check the original certificates and accounts receivable with significant amounts randomly to verify the collection situation after the period.

## **Oil Spill at the Pier - Provisioning for Liabilities**

### Description

As described in Note 9(1) to the Consolidated Financial Statements, an oil spill occurred on October 24, 2013 at the West No.7 Pier of Taichung Port by Chenergy Global Corp. Management has engaged a professional environmental engineering team and lawyers to assess the environmental restoration obligations and legal proceedings arising from the incident, the impact of which is likely to be significant and the estimation of a liability provision in accordance with IAS 37 requires the exercise of significant accounting judgement on the part of management. Accordingly, our CPAs consider Chenergy Global Corp's provision for the liabilities arising from this incident to be one of the most significant matters to be audited for the year.

#### How the matter was addressed in our audit

The financial statements of Chenergy Global Corp were audited by other CPAs, with procedures already performed in respect of the above critical audit items set out below:

1. Interviewing with Chenergy Global Corp management to understand their assessment of the pending environmental restoration and litigation case.
2. Discussing the progress of the case with outside counsel and reviewing the case's documents issued and received.
3. Obtaining management's self-assessment documents on environmental restoration and legal advice letters from external lawyers on outstanding litigation cases.
4. Assessing the appropriateness of the related liability provision and disclosure of contingent liabilities.

#### **Other matters - Reference to the audits of other independent accountants**

The financial statements of certain subsidiaries included in the consolidated financial statements of the Group have not been audited by us, but rather by other CPAs. As a result, in our opinion on the above consolidated financial statements, the amounts included in the financial statements of the subsidiaries and the related information disclosed in Note XIII are based on the audit report prepared by other CPAs. The total assets of the subsidiaries were NT\$4,601,800 thousands and NT\$4,954,599 thousands as of December 31, 2020 and 2019, respectively, accounting for 18.95% and 20.83% of the consolidated total assets, respectively. The net operating revenue from January 1 to December 31, 2020 and 2019 was NT\$3,134,625 thousands and NT\$5,707,782 thousands, respectively, representing 12.13% and 20.79% of the consolidated net operating income. In addition, HT-S-Venture Philippines Corporation and Tung Bao Co., Ltd., investment made by the Group using the equity method, are based on the evaluation and disclosure in the financial

statements audited by other CPAs appointed by the companies. The investment balance as of December 31, 2020 and 2019 was NT\$297,335 thousands and NT\$297,152 thousands, respectively, accounting for 1.22% and 1.25% of the total consolidated assets. Comprehensive income from January 1 to December 31, 2020 and 2019 was NT\$ 2,070 thousands and NT\$1,625 thousands, respectively, constituting 0.08% and 0.99% of consolidated comprehensive income, respectively.

#### **Other matter - Parent company only financial reports**

Ho Tung Chemical Corp. has prepared a parent company only financial statements for the years 2020 and 2019, with us issuing a report with unqualified opinions and other matters for reference.

#### **Responsibility of the management and the governing body for the Consolidated Financial Statements**

Management's responsibility is to prepare the consolidated financial statements present fairly, in all material respects, according to Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission as well as maintain necessary internal control related to the preparation of the consolidated financial statements in order to ensure there is no major untrue expression on the financial statements due to fraud or error.

When preparing the consolidated financial statements, the responsibility of management also includes evaluating the Group's capability of continuous operation, disclosure of relevant matters, and the application of continuous operation accounting model unless the management intends to liquidate the Group or suspend its business operation or there is no alternative practical and feasible solution other than liquidation or business suspension.

The governance unit at the Group (including Audit Committee) is responsible for supervising the process of financial reports.

#### **Auditor's responsibilities for the audit of the consolidated financial statements**

The purpose of the consolidated financial statements audited by us is to obtain reasonable assurance on whether the significant untrue expression exists on the whole consolidated financial statements due to fraud or error as well as issue the audit report. The reasonable assurance is the high certainty; however, it won't be able to guarantee that the significant untrue expression will definitely be able to be detected by generally accepted auditing standards, and the untrue expression might be caused

from fraud or error. It is regarded as with significance if the individual amount or the aggregation number of the untrue expression can reasonably predict that it will affect the economic decisions made by the users of the consolidated financial statements.

When we conduct the audit according to generally accepted auditing standards, we use professional judgment and maintain our professional suspicion. We also executed the following tasks:

1. Identifying and evaluating the risk of major untrue expression on the consolidated financial statements due to fraud or error; designing and implementing proper responding strategies towards the risk evaluated; and obtaining sufficient and appropriate audit evidence as the basis of audit opinions. Due to fraud might be involving with collusion, counterfeiting, malicious omission untrue declaration, or going out of the internal control, the risk of not detecting the major untrue expression due to fraud will be higher than that due to error.
2. Obtaining necessary understanding of internal control related to audit in order to design proper audit procedure under the situation of the case. However, its purpose is not to express opinion toward the effectiveness of the internal control in the Group.
3. Evaluating the adequacy of the accounting policies used by the management and the rationality of the accounting evaluation and relevant disclosure concluded.
4. Based on the audit evidence obtained, conclusion towards the appropriateness of continuous operation accounting basis that the management adopts and the existence of major uncertainty on events or situations with major concerns affecting the Group's capability in continuous operation are made. If we believe major uncertainty existed on the event or situation, we must remind the users of consolidated financial statements on the audit report to pay attention on the relevant disclosure or modify audit opinion when the disclosure is not appropriate. The conclusion that we made is based on the audit evidence obtained up to the audit report day, but future events or situations might cause the Group not capable in continuous operation.
5. Evaluating the overall expression, structure and content of the consolidated financial statements (including relevant notes) as well as whether the consolidated financial statements present fairly, in all material respects, relevant transaction and events.
6. Obtaining sufficient and appropriated audit evidence of the financial information from the individual entity within the group as well as express opinions towards financial statements. We are in charge of the directing,

supervision, and execution on the consolidated audit cases as well as concluding audit opinions on the consolidated financial statements.

The communication between us and the governing unit includes the audit scope and time planned and major audit findings (including the significant defects on the internal control identified during the auditing process).

We have also provided information to the governing body that the personnel of the firm—under which we are working—who are subject to independence requirements have complied with the statement of independence in the R.O.C. CPA code of professional ethics and communicated to the governing body all relationships and other matters (including relevant safeguards) that may be considered to affect the independence of CPAs.

We determined the key audit matters that we would like to execute on the Group's consolidated financial statements for the year ended December 31, 2020 from the communication with the governing unit. We clearly stated the related matters on the audit report unless it is the specific matter that is not allowed to be disclosed to the public according to laws, or under a very rare situation that we decided not to communicate specific matters on the audit report because we can reasonably anticipate the negative influence generated by the communication will be greater than the public interests increased.

PricewaterhouseCoopers Taiwan  
CPA LAI, TSUNG-HSI  
WANG, CHAO-MING  
Former Securities and Futures Bureau, FSC,  
Executive Yuan  
Approval Certificate No.: CHIN-KUAN-  
CHENG-LIU-TZU No. 0960038033  
Former Securities Management Commission,  
Ministry of Finance  
Approval Certificate No.: (85) TAI-TSAI-  
CHENG(VI) No. 65945  
March 25, 2021

Ho Tung Chemical Corp. and Its Subsidiaries  
Consolidated Balance Sheets  
December 31, 2020 and 2019

Unit: NT\$ thousands

Asset	Notes	Dec. 31, 2020		Dec. 31, 2019		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	VI (I)	\$ 6,568,066	27	\$ 3,199,676	13
1100	Financial assets at fair value through profit or loss - current	VI (II)	208,988	1	240,476	1
1136	Financial assets at amortized cost - current	VI (IV) & VIII	1,201,686	5	1,059,343	4
1150	Notes receivable, net	VI (V) & VIII	156,703	1	360,529	2
1170	Accounts receivable, net	VI (V), (VI)	2,857,645	12	2,939,218	12
1180	Accounts receivable - related parties	VII	126,862	-	1,064,363	5
1200	Other receivables	VI (VIII)(IX) & IX (I)	155,748	-	285,000	1
1210	Other receivables - related parties	VII	729	-	866	-
130X	Inventories	VI (VII) & VIII	2,375,788	10	3,838,603	16
1410	Prepayment	VI (VIII) & VII	478,619	2	443,751	2
1470	Other current assets		659	-	339	-
11XX	<b>Total current assets</b>		<u>14,131,493</u>	<u>58</u>	<u>13,432,164</u>	<u>56</u>
<b>Non-current assets</b>						
1517	Financial assets at fair value through other comprehensive profit or loss - non-current	VI (III)	2,371,711	10	1,665,504	7
1535	Financial assets measured at amortized cost - non-current	VI (IV) & VIII	57,029	-	19,523	-
1550	Investment accounted for using equity method	VI (IX)	297,335	1	297,152	1
1600	Property, plant and equipment	VI (XI) & (XX)& VIII	4,894,032	20	5,643,940	24
1755	Right-of-use assets	VI (XII) & VIII	1,571,869	7	1,671,599	7
1760	Investment property, net	VI (XIV) & VIII	102,176	-	102,410	1
1780	Intangible assets	VI (XV)	396,561	2	439,984	2
1840	Deferred income tax assets	VI (XXXV)	302,390	1	268,001	1
1900	Other non-current assets	VI (XVI) (XXII) & VII	157,229	1	244,317	1
15XX	<b>Total non-current assets</b>		<u>10,150,332</u>	<u>42</u>	<u>10,352,430</u>	<u>44</u>
1XXX	<b>Total assets</b>		<u>\$ 24,281,825</u>	<u>100</u>	<u>\$ 23,784,594</u>	<u>100</u>

(Continued on next page)

Ho Tung Chemical Corp. and Its Subsidiaries  
Consolidated Balance Sheets  
December 31, 2020 and 2019

Unit: NT\$ thousands

Liabilities and equity	Notes	Dec. 31, 2020		Dec. 31, 2019	
		Amount	%	Amount	%
<b>Current liabilities</b>					
2100 Short-term borrowing	VI (XVIII) & VIII	\$ 1,112,949	5	\$ 2,577,146	11
2130 Contract liabilities	VI (XXVII)	335,935	1	303,316	1
2150 Notes payable		1,630	-	1,698	-
2170 Accounts payable		934,909	4	1,323,862	6
2180 Accounts payable - related parties	VII	14,014	-	-	-
2200 Other payables	VI (XIX)	1,212,621	5	1,153,339	5
2220 Other payables - related parties	VII	12,225	-	11,905	-
2230 Current income tax liabilities		257,215	1	123,232	-
2280 Lease liabilities - current		36,870	-	33,329	-
2300 Other current liabilities	VI (XX), (XXI), VIII & IX (I)				
		861,981	4	911,345	4
21XX <b>Total current liabilities</b>		4,780,349	20	6,439,172	27
<b>Non-current liability</b>					
2540 Long-term loans	VI (XX) & VIII	1,675,815	7	1,935,853	8
2570 Deferred income tax liabilities	VI (XXXV)	5,404	-	2,927	-
2580 Lease liabilities - non-current		736,589	3	831,375	4
2600 Other non-current liabilities	VI (XXII) & VII	739,704	3	754,224	3
25XX <b>Total non-current liabilities</b>		3,157,512	13	3,524,379	15
2XXX <b>Total liabilities</b>		7,937,861	33	9,963,551	42
<b>Equity</b>					
<b>Equity attributable to owners of parent company</b>					
Share capital	VI (XXIII)				
3110 Share capital - common stock		10,168,248	42	10,168,248	43
Capital surplus	VI (XXIV)				
3200 Capital surplus		50,541	-	50,541	-
Retained earnings	VI (XXV)				
3310 Legal capital reserve		631,294	2	629,512	3
3320 Special reserve		396,773	2	284,134	1
3350 Unappropriated retained earnings		1,689,647	7	114,421	-
Other equity interest	VI (XXVI)				
3400 Other equity interest		(504,761)	(2)	(672,710)	(3)
3500 Treasury stocks	VI (XXIII)	(95,951)	-	(95,951)	-
31XX <b>Equity attributable to owners of parent company</b>		12,335,791	51	10,478,195	44
36XX <b>Non-controlling interests</b>		4,008,173	16	3,342,848	14
3XXX <b>Total equity</b>		16,343,964	67	13,821,043	58
Significant contingent liabilities and unrecognized contract commitments	IX				
3X2X <b>Total liabilities and equity</b>		\$ 24,281,825	100	\$ 23,784,594	100

The notes to the consolidated financial statements are part of the consolidated financial statements and should be read together.

Chief Director: YANG, YOU-JYE; Manager: CHEN, YI-JU; Accounting Supervisor: LIN, HUI-YEN

**Ho Tung Chemical Corp. and Its Subsidiaries**  
**Consolidated Statement of Comprehensive Income**  
**January 1 to December 31, 2020 and 2019**

Unit: NT\$ thousands  
(Except the unit of earnings per share is NT\$)

Items	Notes	2020		2019	
		Amount	%	Amount	%
4000 Operating revenue	VI (XIII), (XXVII)& VII	\$ 25,849,191	100	\$ 27,459,637	100
5000 Operating costs	VI (VII), (XXVIII), (XXXIII), (XXXIV)& VII				
		(19,843,007)	(77)	(24,916,265)	(91)
5900 Gross profit		6,006,184	23	2,543,372	9
5910 Unrealized profits on sales		(1,927)	-	(1,521)	-
5920 Realized profits on sales		1,521	-	2,264	-
5950 Gross profit from operations		6,005,778	23	2,544,115	9
Operating expenses	VI (XXXIII), (XXXIV)				
6100 Selling expenses		(859,410)	(3)	(893,850)	(3)
6200 Administrative expenses		(720,628)	(3)	(637,801)	(2)
6300 Research and development expenses		(66,745)	-	(93,382)	(1)
6450 Expected credit impairment loss	VII & XII (V)	(725,550)	(3)	(59,117)	-
6000 Total operating expenses		(2,372,333)	(9)	(1,684,150)	(6)
6900 Profit from operations		3,633,445	14	859,965	3
Non-operating income and expenses					
7100 Interest income	VI (IV), (XXIX)& VII	68,925		40,855	
7010 Other income	VI (III), (XXI), (XXX)& VII	111,197	-	139,799	1
7020 Other gains and/or losses	VI (II), (VIII), (IX), (XII), (XVII), (XXXI)& IX (I)	(569,630)	(2)	(253,009)	(1)
7050 Financial costs	VI (XII), (XXXII)	(235,168)	(1)	(215,315)	(1)
7060 Share of profit (loss) of associates and joint ventures accounted for under equity method	VI (IX)	1,259	-	(6,317)	-
7000 Total non-operating income and expenses		(623,417)	(3)	(293,987)	(1)
7900 <b>Pre-tax profit</b>		3,010,028	11	565,978	2
7950 Income tax expense	VI (XXXV)	(610,482)	(2)	(207,354)	(1)
8200 <b>Net profit for this period</b>		\$ 2,399,546	9	\$ 358,624	1

(Continued on next page)



Ho Tung Chemical Corp. and Its Subsidiaries  
Consolidated Statement of Comprehensive Income  
January 1 to December 31, 2020 and 2019

Unit: NT\$ thousands  
(Except the unit of earnings per share is NT\$)

Liabilities and Equity	Notes	2020		2019	
		Amount	%	Amount	%
<b>Other comprehensive income (loss)</b>					
<b>Items that will not be reclassified to profit or loss</b>					
8311 Remeasurement of defined benefit plans	VI (XXII)	\$ 4,321	-	\$ 8,830	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	VI (III)	171,661	1	(60,570)	-
8349 Income tax expenses related to items that will not be reclassified subsequently to profit or loss	VI (XXXV)	(866)	-	(1,544)	-
8310 <b>Total amount of items that will not be reclassified to profit or loss</b>		<u>175,116</u>	<u>1</u>	<u>(53,284)</u>	<u>-</u>
8361 Exchange differences on translation of foreign financial statements		52,033	-	(457,907)	(2)
8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method - components of other comprehensive income that will be reclassified to profit or loss	VI (XXVI)	812	-	(11,539)	-
8360 Total amount of items that may be reclassified subsequently to profit or loss		<u>52,845</u>	<u>-</u>	<u>(469,446)</u>	<u>(2)</u>
8500 <b>Total comprehensive income for the period</b>		<u>\$ 2,627,507</u>	<u>10</u>	<u>(\$ 164,106)</u>	<u>(1)</u>
Net profit attributable to:					
8610 Owners of the parent company		\$ 1,686,431	6	\$ 17,820	-
8620 Non-controlling interests		<u>\$ 713,115</u>	<u>3</u>	<u>\$ 340,804</u>	<u>1</u>
The total comprehensive income belongs to:					
8710 Owners of the parent company		\$ 1,857,789	7	(\$ 371,883)	(2)
8720 Non-controlling interests		<u>\$ 769,718</u>	<u>3</u>	<u>\$ 207,777</u>	<u>1</u>
Earnings per share	VI (XXXVI)				
9750 Basic earnings per share			1.68		0.02
9850 Diluted earnings per share			<u>1.68</u>		<u>0.02</u>

The notes to the consolidated financial statements are part of the consolidated financial statements and should be read together.

Chief Director: YANG, YOU-JYE; Manager: CHEN, YI-JU; Accounting Supervisor: LIN, HUI-YEN

Ho Tung Chemical Corp. and Its Subsidiaries  
Consolidated Statement of Changes in Equity  
January 1 to December 31, 2020 and 2019

Unit: NT\$ thousands

	Notes	Attributable to the equity of parent company										
		Share capital- common stock	Retained earnings				Other equity interest			Total	Non-controlling equity	Total
			Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange difference arising from translation of foreign operation financial statements	Unrealized gains or losses on financial assets at fair value through other comprehensive income	Treasury stocks			
<b>2019</b>												
Balance at January 1, 2019		\$10,168,248	\$50,541	\$603,129	\$15,657	\$581,166	( \$97,125 )	( \$187,009 )	( \$95,951 )	\$11,038,656	\$3,476,901	\$14,515,557
Net profit for this period		-	-	-	-	17,820	-	-	-	17,820	340,804	358,624
Other comprehensive income (loss) for the year	VI (XXVI)	-	-	-	-	7,238	(336,407)	(60,534)	-	(389,703)	(133,027)	(522,730)
Total comprehensive income for the period		-	-	-	-	25,058	(336,407)	(60,534)	-	(371,883)	207,777	(164,106)
Appropriation & distribution of 2018 earnings:	VI (XXV)											
Legal reserve		-	-	26,383	-	(26,383)	-	-	-	-	-	-
Special reserve		-	-	-	268,477	(268,477)	-	-	-	-	-	-
Cash dividend		-	-	-	-	(152,524)	-	-	-	(152,524)	-	(152,524)
Cash dividends which belong to non- controlling interests		-	-	-	-	-	-	-	-	-	(104,818)	(104,818)
Changes in non-controlling interests	VI (XXVII)	-	-	-	-	-	-	-	-	-	(237,012)	(237,012)
Changes in ownership of subsidiaries	VI (XXVII)	-	-	-	-	(36,054)	-	-	-	(36,054)	-	(36,054)
Disposal of equity instruments measured at fair value through other comprehensive income	VI (III), (XXV\$)	-	-	-	-	(8,365)	-	8,365	-	-	-	-
Balance at Dec. 31, 2019		\$10,168,248	\$50,541	\$629,512	\$284,134	\$114,421	(\$433,532)	(\$239,178)	(\$95,951)	\$10,478,195	\$3,342,848	\$13,821,043
<b>2020</b>												
Balance at January 1, 2020		\$10,168,248	\$50,541	\$629,512	\$284,134	\$114,421	(\$433,532)	(\$239,178)	(\$ 95,951)	\$10,478,195	\$3,342,848	\$13,821,043
Net profit for this period		-	-	-	-	1,686,431	-	-	-	1,686,431	713,115	2,399,546
Other comprehensive income (loss) for the year		-	-	-	-	3,409	(2,302)	170,251	-	171,358	56,603	227,961
Total comprehensive income for the period		-	-	-	-	1,689,840	(2,302)	170,251	-	1,857,789	769,718	2,627,507
Appropriation & distribution of 2019 earnings:												
Legal reserve		-	-	1,782	-	(1,782)	-	-	-	-	-	-
Special reserve		-	-	-	112,639	(112,639)	-	-	-	-	-	-
Cash dividends which belong to non- controlling interests		-	-	-	-	-	-	-	-	-	(104,586)	(104,586)
Changes in ownership of subsidiaries		-	-	-	-	(193)	-	-	-	(193)	193	-
Balance at Dec. 31, 2019		\$10,168,248	\$50,541	\$631,294	\$396,773	\$1,689,647	(\$435,834)	(\$68,927)	(\$ 95,951)	\$12,335,791	\$4,008,173	\$16,343,964

The notes to the consolidated financial statements are part of the consolidated financial statements and should be read together.

Chief Director: YANG, YOU-JYE

Manager: CHEN, YI-JU

Accounting Supervisor: LIN, HUI-YEN

Ho Tung Chemical Corp. and Its Subsidiaries  
Consolidated Statement of Cash Flows  
January 1 to December 31, 2020 and 2019

Unit: NT\$ thousands

	Notes	From Jan. 1, to Dec. 31, 2020	From Jan. 1, to Dec. 31, 2019
<u>Cash flow from operating activities</u>			
Profit before tax for the period		\$ 3,010,028	\$ 565,978
Adjustments			
Income and expenses having no effect on cash flows			
Net gain on financial assets at fair value through profit or loss	VI (II), (XXXI)	(22,880)	(6,240)
Depreciation charge	VI (XI), (XII), (XIV), (XXXIII)	556,639	605,274
Amortization	VI (XV), (XXXIII)	36,070	36,690
Expected credit impairment loss	XII (V)	725,550	138,918
Interest expense	VI (XXXII)	235,168	215,315
Interest income	VI (XXIX)	(68,925)	(40,855)
Dividend income	VI (XXX)	(16,779)	(15,835)
Impairment income	VI (VIII) (IX) (XVII) (XXXI)	505,855	92,426
Provision of liabilities	VI (XXXI), IX (I)	154,000	-
Share of profit or loss of related companies using the equity method	VI (IX)	(1,259)	6,317
Disposal of investment interests	VI (XXXI)	-	(10,193)
Loss (profit) on disposal of property, plant and equipment	VI (XXXI)	4,497	13,281
Government's subsidiaries	VI (XXI) (XXX)	(31,223)	(72,743)
Loss of lease modification	VI (XII) (XXXI)	14,373	-
Unrealized benefits on sales		1,927	1,521
Realized benefits on sales		(1,521)	(2,264)
Changes in assets/liabilities relating to operating activities			
Net changes in operating assets			
Financial assets mandatorily measured at FVTPL		57,734	(135,215)
Notes receivable		203,826	(72,563)
Accounts receivable		(145,586)	339,120
Accounts receivable- related parties		229,036	364,622
Other receivables		160,963	(55,543)
Other receivables - related parties		140	-
Inventories		1,486,200	243,296
Prepayment		(55,722)	278,286
Other current assets		(320)	2,284
Net change in liabilities relating to operating activities			
Contract liabilities		32,619	81,771
Notes payable		(68)	(321)
Accounts payable		(398,612)	(330,895)
Accounts payable - related parties		13,739	(9,256)
Other payables		50,149	238,801
Other payables-related parties		114	338
Other current liabilities		16,576	13,066
Other non-current liabilities		43,536	94,051
Cash inflow generated from operations		6,795,844	2,579,432
Interests received		69,115	43,555
Dividend received		17,489	16,793
Interest paid		(215,919)	(279,404)
Income tax paid		(497,568)	(250,098)
Net cash flows from operating activities		6,168,961	2,110,278

(Continued on next page)

Ho Tung Chemical Corp. and Its Subsidiaries  
Consolidated Statement of Cash Flows  
January 1 to December 31, 2020 and 2019

Unit: NT\$ thousands

	Notes	From Jan. 1, 2019 to Dec. 31, 2019	From Jan. 1, 2018 to Dec. 31, 2018
<u>Net cash flow in investing activities</u>			
Disposal of financial assets measured at fair value through other comprehensive income	VI (III)	\$ -	\$ 29,045
Financial assets measured at FVTOCI	XII (VI)	(608,034)	-
Return of share payment after capital reduction		-	15,391
Decrease (increase) in financial assets measured at amortized cost		(171,268)	152,889
Decrease (increase) in other receivables - related parties		-	45,303
Acquisition of property, plant and equipment	VI (XXXVIII)	(188,184)	(399,939)
Disposal of property, plant and equipment		167	5,674
Acquisition of intangible assets	VI (XXXVIII)	(42,974)	(3,176)
Acquisition of right-of-use assets		(2,544)	(1,558)
Decrease (increase) in other non-current assets		159,564	(10,014)
Net cash flows used in investing activities		<u>(853,273)</u>	<u>(166,385)</u>
<u>Cash flows from financing activities</u>			
Decrease in short-term borrowings	VI (XXXIX)	(1,465,601)	(1,733,865)
Proceeds from long-term borrowings	VI (XXXIX)	-	1,850,463
Repayment of long-term borrowings	VI (XXXIX)	(705,234)	(1,749,920)
Cash dividend paid	VI (XXV)	-	(152,524)
Government grants	VI (XXI)	273,802	-
Repayment of lease principal	VI (XXXIX)	(32,398)	(23,098)
Payment of the cash dividends for non-controlling interests		(104,586)	(104,818)
Net cash flows from financing activities		<u>(2,034,017)</u>	<u>(1,913,762)</u>
Effect of exchange		<u>86,719</u>	<u>(27,983)</u>
Increase (decrease) in current cash and cash equivalents		3,368,390	2,148
Cash and cash equivalents at beginning of year		3,199,676	3,197,528
Cash and cash equivalents at end of the year		<u>\$ 6,568,066</u>	<u>\$ 3,199,676</u>

The notes to the consolidated financial statements are part of the consolidated financial statements and should be read together.

Chief Director: YANG, YOU-JYE; Manager: CHEN, YI-JU; Accounting Supervisor: LIN, HUI-YEN

**Parent Company Only Financial  
Statements and Independent Auditors'  
Report**

**Ho Tung Chemical Corp.**

**Parent Company Only Financial Statements and Independent  
Auditors' Report**

For the Years Ended December 31, 2020 and 2019

(Stock Code: 1714)

Address: No. 1, Zhugong 2nd Ln., Zhuho Vil., Renwu Dist., Kaohsiung  
City

Telephone:(02)8976-9268

## **Independent Auditors' Report**

(109) TSAI-SHEN-PAO-TZU No. 200004866

To the Board of Directors of Ho Tung Chemical Corp.:

### **Opinion**

We have audited the Parent Company Only Balance Sheet of Ho Tung Chemical Corp. (hereinafter referred to as the Company) as of December 31, 2020 and 2019, the Parent Company Only Comprehensive Income Statement of January 1 to December 31, 2020 and 2019, as well as the Parent Company Only Statements of Changes in Equity, Parent Company Only Statements of Cash Flows and Parent Company Only Financial Statement Notes (including important accounting policies summary).

In our opinions and based on the audit results of us and the audit reports of other CPAs (refer to the Section of Other Matters), the compilations of the above Parent Company Only financial statements present fairly, in all material respects, of the Parent Company Only financial status of December 31, 2020 and 2019 in the Company and the Parent Company Only financial performance and Parent Company Only cash flow of January 1 to December 31, 2020 and 2019 prepared according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

The audit of the financial statements for the year ended December 31, 2020 was conducted by us in accordance with "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants", "CHIN-KUAN-CHENG-SHEN-TZU No. 1090360805 Letter Sent by the Financial Supervisory Commission on February 25, 2020" and Generally Accepted Auditing Standards (GAAS) of the Republic of China; the audit of the financial statements for the year ended December 31, 2019 was conducted by us in accordance with "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and Generally Accepted Auditing Standards (GAAS) of the Republic of China. Our responsibilities under these standards will be further explained in the paragraph about the external auditor's responsibility on auditing. We are independent of the Company in accordance with Code of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on the audit results of us and the audit reports of other CPAs, we believe we have obtained sufficient and appropriate auditing evidence as the basis to express our audit opinions.

## **Emphasis of Matter**

As stated in Note I(II) and Note XII(II) to the parent company only financial statements, Ho Tung Chemical Corp on September 10, 2020 merged its 100%-owned subsidiaries, He Hsin Cheng Co. and Hua Tung Investment Co., in a short-form manner, and the merger was a reorganization under common control. According to the IFRS Q&A and related interpretations issued by the Accounting Research and Development Foundation, the comparative financial statements being prepared should be deemed as a consolidation and restatement of prior years' financial statements from the beginning and we have not modified our audit opinion accordingly.

## **Key Audit Matters**

Key audit matters refer to the most important matters on the audits to the Company's Parent Company Only financial statements for the year ended December 31, 2020 based on the professional judgment. The matters have been responded on the whole audited Parent Company Only financial statements and during the process of the expression of the audit opinions. There, we won't express opinions separately towards the matters.

The key audit matters in the Company's parent company only financial statements for the year ended December 31, 2020 are as follows:

### **The accurate timing of export revenue recognition**

#### Description

Please refer to Note IV (XXVIII) to the consolidated financial report for details of the accounting policies for operating income.

Ho Tung Group's sales of chemical-related products are mainly in foreign trade, and it transfers the control of the promised goods to the buyer and recognizes revenue at the time of the transfer of control. Delivery occurs when the product is delivered to the buyer, when the product is shipped to a specified location, when the risk of obsolescence and loss is transferred to the customer, and when the customer accepts the product pursuant to the sales contract, or when there is objective evidence that all acceptance criteria have been met. As the transaction amount is significant and Income from Sales of Goods is a key indicator in determining the achievement of operating and financial objectives and investors' expectations, the timing of revenue recognition close to the date of the financial statements may not be appropriate. We list the Group's export revenue as one of the most important matters in the current year's audit.

#### How the matter was addressed in our audit

The procedures that we have performed in response to the above critical audits are summarized below:

1. Review sales contracts and orders to confirm that revenue recognition is consistent with the terms of the contracts and their related trading conditions.
2. Analyze the changes in sales of various products to understand and recognize the nature of the significant changes.
3. Conduct a sample test on the export revenue in an appropriate period after the date of the financial statements, including the content of the transaction agreement, terms of trade and relevant supporting documents, and recognize the revenue in an appropriate period.

### **Evaluation of Accounts Receivable**

#### Description

Please refer to Note IV(VIII), IV(IX), V(II) and VI(IV) to the parent company only financial statements for details of the accounting policy on accounts receivable, accounting estimates for impairment assessment and description of accounting assumptions.

Ho Tung Chemical Corp assesses the impairment of accounts receivable by assessing the probability of collection of accounts receivable individually and on a collective basis based on expected credit losses. The process of assessing impairment of receivables is affected by a number of factors, such as the financial position of the customer, the Group's internal credit ratings, historical transaction history, etc. These factors, which may affect the credit quality of customers, involve subjective management judgement and are subject to a high degree of estimation uncertainty. We consider that Ho Tung Group's accounts receivable and their valuation amounts have a significant impact on the consolidated financial statements and that the valuation of accounts receivable requires the use of judgement and estimates. Therefore, we have identified the valuation of accounts receivable as one of the most significant matters to be audited during the year.

#### How the matter was addressed in our audit

The procedures that have been performed in respect of the above critical audit matters are set out below:

1. Understanding and assessing policies and internal controls relating to credit risk management and impairment assessment of accounts receivable.
2. Reviewing the supporting documentation provided by management to assess the reasonableness of the probability of recovery regarding significant accounts receivable beyond the normal credit period.



3. Conducting random checks of original certificates and accounts receivable of significant amounts to verify their collection after the period.

### **Evaluation on balance of investments using equity method**

Please refer to Note IV (XIII) to the Parent Company Only financial statements for the accounting policy for investments under the equity method and Note VI (VI) to the Parent Company Only financial statements for the description of accounting items.

Ho Tung Chemical Corp. holds the investment balance of its subsidiary Chenergy Global (hereinafter referred to as Chenergy) under the equity method and the share of profit and loss of the subsidiary, affiliated enterprise and joint venture recognized using the equity method in 2020, which has a significant impact on the financial statements of Ho Tung Chemical Corp. We have included Chenergy's critical audit matter of the oil spill at the pier - provision for liabilities as a critical audit matter of Ho Tung Chemical Corp, as described below:

#### Description

An oil spill occurred on Oct 24, 2013 at the West No.7 Pier of Taichung Port by Chenergy. Management has engaged a professional environmental engineering team and lawyers to assess the environmental restoration obligations and legal proceedings arising from the incident, the impact of which is likely to be significant and the estimation of a liability provision in accordance with IAS 37 requires the exercise of significant accounting judgement on the part of management. Accordingly, our CPAs consider Chenergy's provision for the liabilities arising from this incident to be one of the most significant matters to be audited for the year.

#### How the matter was addressed in our audit

The consolidated financial statements of Chenergy are audited by other CPAs. The procedures performed by other CPAs regarding the above critical audits are listed below:

1. Interview management for their assessment of the unresolved environmental restoration and litigation cases.
2. Discuss the progress of the case with an external attorney and review the correspondence on the case.
3. Acquire the management's self-assessment letters for environmental restoration and legal advisory letters from outside counsel for pending litigation.
4. Evaluate the appropriateness of the related provision for liabilities and disclosure of contingent liabilities.

### **Other matters - Reference to the audits of other independent auditors**

The financial statements of certain investee companies accounted for using equity method included in the Parent Company Only financial statements of Ho Tung Group have not been audited by us, but rather by other CPAs. As a result, in our opinion on the above consolidated financial statements, the amounts included in the financial statements of the subsidiaries and the related information disclosed in Note XIII are based on the audit report prepared by other CPAs. The total assets of the aforementioned companies accounted for using equity method were NT\$2,532,452 thousands and \$2,999,323 thousands as of December 31, 2020 and 2019, respectively, accounting for 17.41% and 21.57% of the consolidated total assets, respectively. The recognized liabilities from January 1 to December 31, 2020 and 2019 was NT\$64,537 thousands and \$76,645 thousands, respectively, representing 2.92% and 2.24% of the total liabilities. The recognized comprehensive income towards the aforementioned companies from January 1 to December 31, 2020 and 2019 was NT\$(764,503) thousands and NT\$(40,760) thousands, respectively, constituting (41.15%) and 10.96% of the comprehensive income, respectively.

### **Responsibility of the Management and the Governing Body for the Parent Company Only Financial Statements**

Management's responsibility is to prepare the Parent Company Only financial statements present fairly, in all material respects, according to Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as maintain necessary internal control related to the preparation of the Parent Company Only financial statements in order to ensure there is no major untrue expression on the financial statements due to fraud or error.

When preparing the Parent Company Only financial statements, the responsibility of management also includes evaluating The Company's capability of continuous operation, disclosure of relevant matters, and the application of continuous operation accounting model unless the management intends to liquidate The Company or suspend its business operation or there is no alternative practical and feasible solution other than liquidation or business suspension.

The governance unit at The Company (including Audit Committee) is responsible for supervising the process of financial reports

### **Auditor's responsibilities for the audit of the parent company only financial statements**

The purpose of the Parent Company Only financial statements audited by us is to obtain reasonable assurance on whether the significant untrue expression exists on the whole Parent Company Only financial statements due to fraud or error as well as issue the audit report. The reasonable assurance is the high certainty; however, it won't be able to guarantee that the significant untrue expression will definitely be able to be detected by generally accepted auditing standards, and the untrue expression might be caused from fraud or error. It is regarded as with significance if the Parent Company Only amount or the aggregation number of the untrue expression can reasonably predict that it will affect the economic decisions made by the users of the Parent Company Only financial statements.

When we conduct the audit according to generally accepted auditing standards, we use professional judgment and maintain our professional suspicion. We also executed the following tasks:

1. Identifying and evaluating the risk of major untrue expression on the Parent Company Only financial statements due to fraud or error; designing and implementing proper responding strategies towards the risk evaluated; and obtaining sufficient and appropriate audit evidence as the basis of audit opinions. Due to fraud might be involving with collusion, counterfeiting, malicious omission untrue declaration, or going out of the internal control, the risk of not detecting the major untrue expression due to fraud will be higher than that due to error.
2. Obtaining necessary understanding of internal control related to audit in order to design proper audit procedure under the situation of the case. However, its purpose is not to express opinion toward the effectiveness of the internal control in The Company.
3. Evaluating the adequacy of the accounting policies used by the management and the rationality of the accounting evaluation and relevant disclosure concluded.
4. Based on the audit evidence obtained, conclusion towards the appropriateness of continuous operation accounting basis that the management adopts and the existence of major uncertainty on events or situations with major concerns affecting The Company's capability in continuous operation are made. If we believe major uncertainty existed on the event or situation, we must remind the users of Parent Company Only financial statements on the audit report to pay attention on the relevant disclosure or modify audit opinion when the disclosure is not appropriate. The conclusion that we made is based on the audit evidence obtained up to the audit report day, but future events or situations might cause the Company not capable in continuous operation.

5. Evaluating the overall expression, structure and content of the Parent Company Only financial statements (including relevant notes) as well as whether the Parent Company Only financial statements present fairly, in all material respects, relevant transaction and events.
6. Obtaining sufficient and appropriated audit evidence of the financial information from the Consolidated entity within the Company as well as express opinions towards financial statements. We are in charge of the directing, supervision, and execution on the Parent Company Only audit cases as well as concluding audit opinions on the Parent Company Only financial statements.

The communication between us and the governing unit includes the audit scope and time planned and major audit findings (including the significant defects on the internal control identified during the auditing process).

We have also provided information to the governing body that the personnel of the firm—under which we are working—who are subject to independence requirements have complied with the statement of independence in the R.O.C. CPA code of professional ethics and communicated to the governing body all relationships and other matters (including relevant safeguards) that may be considered to affect the independence of CPAs.

We determined the key audit matters that we would like to execute on the Company's Parent Company Only financial statements for the year ended December 31, 2020 from the communication with the governing unit. We clearly stated the related matters on the audit report unless it is the specific matter that is not allowed to be disclosed to the public according to laws, or under a very rare situation that we decided not to communicate specific matters on the audit report because we can reasonably anticipate the negative influence generated by the communication will be greater than the public interests increased.

PricewaterhouseCoopers Taiwan  
CPA LAI, TSUNG-HSI  
WANG, CHAO-MING  
Former Securities and Futures Bureau, FSC,  
Executive Yuan  
Approval Certificate No.: CHIN-KUAN-  
CHENG-LIU-TZU No. 0960038033  
Securities Management Commission, Ministry of  
Finance  
Approval Certificate No.: (85)TAI-TSAI-  
CHENG (VI) No. 65945  
March 25, 2021

Ho Tung Chemical Corp.  
Parent Company Only Balance Sheet  
December 31, 2020 and 2019

Unit: NT\$ thousands

Asset	Notes	Dec. 31, 2020		(Restatement) Dec. 31, 2019		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	VI (I)	\$ 2,401,201	16	\$ 473,774	3
1150	Notes receivable, net	VI (IV)	2,403	-	9,307	-
1170	Accounts receivable, net	VI (IV)	154,594	1	345,259	2
1180	Accounts receivable - related parties	VII	248,395	2	642,356	5
1200	Other receivables		9,001	-	84,626	1
1210	Other receivables - related parties	VII	5,291	-	17,157	-
130X	Inventory	VI (V)& VIII	129,524	1	1,325,617	10
1410	Prepayment		10,901	-	8,454	-
1470	Other current assets		35	-	175	-
11XX	<b>Total current assets</b>		<u>2,961,345</u>	<u>20</u>	<u>2,906,725</u>	<u>21</u>
<b>Non-current assets</b>						
1517	Financial assets at fair value through other comprehensive income - non-current	VI (II)& VII	563,208	4	472,274	3
1535	Financial assets measured at amortized cost - non-current	VI (III)&VIII	22,029	-	19,523	-
1550	Investments accounted for using the equity method	VI (VI)& VII	10,372,696	71	9,667,504	70
1600	Property, plant and equipment	VI (VIII) & VIII	527,182	4	626,000	5
1755	Right-of-use assets		1,318	-	-	-
1760	Investment property, net	VI (IX)	10,915	-	11,150	-
1780	Intangible assets	VI (X)	4,456	-	10,997	-
1840	Deferred income tax assets	VI (XXV)	79,076	1	52,809	-
1900	Other non-current assets	VI (XIII)	5,933	-	135,664	1
15XX	<b>Total non-current assets</b>		<u>11,586,813</u>	<u>80</u>	<u>10,995,921</u>	<u>79</u>
1XXX	<b>Total assets</b>		<u>\$ 14,548,158</u>	<u>100</u>	<u>\$ 13,902,646</u>	<u>100</u>

(Continued on next page)

Ho Tung Chemical Corp.  
Parent Company Only Balance Sheet  
December 31, 2020 and 2019

Unit: NT\$ thousands

Liabilities and equity	Notes	Dec. 31, 2020		(Restatement) Dec. 31, 2019		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2100	Short-term borrowing	VI (XI)	\$ -	-	\$ 270,094	2
2130	Contractual liabilities - current	VI (XVIII)	36,704	-	422	-
2150	Notes payable		1,630	-	1,563	-
2170	Accounts payable		67,673	-	221,971	2
2180	Accounts payable - related parties	VII	183,754	1	313,068	2
2200	Other payables		95,053	1	169,527	1
2220	Other payables - related parties	VII	33,399	-	2	-
2230	Current income tax liabilities		-	-	1,170	-
2300	Other current liabilities	VI(XII)& VII	247,997	2	668,217	5
21XX	<b>Total current liabilities</b>		<u>666,210</u>	<u>4</u>	<u>1,646,034</u>	<u>12</u>
<b>Non-current liabilities</b>						
2540	Long-term loans	VI (XII) & VIII	1,477,815	10	1,694,415	12
2570	Deferred income tax liabilities	VI (XXV)	3,009	-	2,345	-
2600	Other non-current liabilities	VI (VI) (XIII)	65,333	1	81,657	1
25XX	<b>Total non-current liabilities</b>		<u>1,546,157</u>	<u>11</u>	<u>1,778,417</u>	<u>13</u>
2XXX	<b>Total liabilities</b>		<u>2,212,367</u>	<u>15</u>	<u>3,424,451</u>	<u>25</u>
<b>Equity</b>						
<b>Share capital</b>						
3110	Share capital - common stock	VI (XIV)	10,168,248	70	10,168,248	73
<b>Capital surplus</b>						
3200	Capital surplus	VI (XV)	50,541	-	50,541	-
<b>Retained earnings</b>						
3310	Legal capital reserve	VI (XVI)	631,294	4	629,512	5
3320	Special reserve		396,773	3	284,134	2
3350	Unappropriated retained earnings		1,689,647	12	114,421	1
<b>Other equity interest</b>						
3400	Other equity interest	VI (XVII)	(504,761)	(3)	(672,710)	(5)
3500	Treasury stocks	VI (VI), (XIV)	(95,951)	(1)	(95,951)	(1)
3XXX	<b>Total equity</b>		<u>12,335,791</u>	<u>85</u>	<u>10,478,195</u>	<u>75</u>
<b>Significant contingent liabilities and unrecognized contract commitments</b>						
3X2X	<b>Total liabilities and equity</b>	VI (XII), VII&IX	\$ <u>14,548,158</u>	<u>100</u>	\$ <u>13,902,646</u>	<u>100</u>

The notes to the parent company only financial statements are part of the parent company only financial statements and should be read together.

Chief Director: YANG, YOU-JYE; Manager: CHEN, YI-JU; Accounting Supervisor: LIN, HUI-YEN

Ho Tung Chemical Corp.  
Parent Company Only Statements of Comprehensive Income  
January 1 to December 31, 2020 and 2019

Unit: NT\$ thousands  
(Except the unit of earnings per share is NT\$)  
(Restatement)

Item	Notes	2020		2019	
		Amount	%	Amount	%
4000 <b>Operating revenue</b>	VI (XVIII), VII	\$ 5,931,094	100	\$ 4,084,481	100
5000 <b>Operating costs</b>	VI (V), (XXIII), (XXIV), VII	(3,926,858)	(66)	(3,950,098)	(97)
5900 <b>Gross profit</b>		2,004,236	34	134,383	3
5910 Unrealized profit on sales		(12,347)	-	(11,514)	-
5920 Realized profit on sales		11,514	-	4,466	-
5950 <b>Gross profit from operations</b>		2,003,403	34	127,335	3
<b>Operating expenses</b>	VI (XXIII), (XXIV)				
6100 Selling expenses		(164,287)	(3)	(161,441)	(4)
6200 Administrative expenses		(108,662)	(2)	(46,057)	(1)
6300 Research and development expenses		-	-	(1,860)	-
6450 Expected credit losses	XII (V)	(175,409)	(3)	(53,427)	(1)
6000 <b>Total operating expenses</b>		(448,538)	(8)	(262,785)	(6)
6900 <b>Operating profit (loss)</b>		1,555,045	26	(135,450)	(3)
<b>Non-operating income and expenses</b>					
7100 Interest income	VI (XIX)	17,738	-	4,133	-
7010 Other income	VI (XX), VII	42,515	1	33,960	1
7020 Other gains and losses	VI (XXI)	(119,920)	(2)	(40,876)	(1)
7050 Finance costs	VI (XXII)	(94,397)	(1)	(55,969)	(2)
7070 Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	VI (VI)	307,156	5	203,765	5
7000 <b>Total non-operating income and expenses</b>		153,092	3	145,013	3
7900 <b>Pre-tax profit</b>		1,708,137	29	9,563	-
7950 Income tax benefit	VI (XXV)	(21,706)	(1)	8,257	-
8000 <b>Net income for continuing operations</b>		1,686,431	28	17,820	-
8200 <b>Net profit for this period</b>		\$ 1,686,431	28	\$ 17,820	-
<b>Other comprehensive income - net</b>					
<b>Items that will not be reclassified to profit or loss</b>					
8311 Remeasurement of defined benefit plans	VI (XIII)	\$ 3,317	-	\$ 7,086	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	VI (II), (XVII)	82,630	1	(64,265)	(1)
8330 Shares of other comprehensive income arising from subsidiaries, associates and joint ventures accounted for using equity method - components of other comprehensive income that will not be reclassified to profit or loss		88,377	2	5,300	-
8349 Income tax expenses related to items that will not be reclassified subsequently to profit or loss	VI (XXV)	(664)	-	(1,417)	-
8310 <b>Total amount of items that will not be reclassified to profit or loss</b>		173,660	3	(53,296)	(1)

(Continued on next page)

Item	Notes	2020		(Restatement) 2019	
		Amount	%	Amount	%
<b>Items that may be reclassified subsequently to profit or loss</b>					
8361	Exchange differences on translation of foreign financial statements				
8380	Shares of other comprehensive income arising from subsidiaries, associates and joint ventures accounted for using equity method - components of other comprehensive income that may be reclassified to profit or loss				
8360	<b>Total amount of items that may be reclassified subsequently to profit or loss</b>				
8500	<b>Total comprehensive income for the period</b>				
	<b>Earnings per share</b>				
9750	<b>Basic earnings per share</b>				
9850	<b>Diluted earnings per share</b>				

The notes to the parent company only financial statements are part of the parent company only financial statements and should be read together.

Chief Director: YANG, YOU-JYE; Manager: CHEN, YI-JU; Accounting Supervisor: LIN, HUI-YEN



**Ho Tung Chemical Corp. and Its Subsidiaries**  
**Parent Company Only Statement of Changes in Equity**  
**January 1 to December 31, 2020 and 2019**

Unit: NT\$ thousands

	Notes	Share capital- common stock	Capital surplus	Retained earnings			Other interests			Total
				Legal reserve	Special reserve	Unappropriated retained earnings	Exchange difference arising from translation of foreign operation financial statements	Unrealized gains or losses on financial assets at fair value through other comprehensive income	Treasury stocks	
<b>2019</b>										
Balance on January 1, 2019		\$ 10,168,248	\$ 50,541	\$ 603,129	\$ 15,657	\$ 581,166	(\$ 97,125 )	(\$ 187,009 )	(\$ 95,951 )	\$ 11,038,656
Net profit for this period		-	-	-	-	17,820	-	-	-	17,820
Other comprehensive income (loss) for the year	VI (XVII)	-	-	-	-	7,238	( 336,407 )	( 60,534 )	-	( 389,703 )
Total comprehensive income for the period		-	-	-	-	25,058	( 336,407 )	( 60,534 )	-	( 371,883 )
Appropriation and distribution of 2018 earnings:	VI (XVI)									
Legal capital reserve		-	-	26,383	-	( 26,383 )	-	-	-	-
Special reserve		-	-	-	-	( 268,477 )	-	-	-	-
Cash dividend		-	-	-	268,477	( 152,524 )	-	-	-	( 152,524 )
Changes in ownership of subsidiaries	VI (XXVII)	-	-	-	-	( 36,054 )	-	-	-	( 36,054 )
Disposal of equity instruments measured at fair value through other comprehensive income	VI (XVII)	-	-	-	-	( 8,365 )	-	8,365	-	-
Balance on December 31, 2019		<u>\$ 10,168,248</u>	<u>\$ 50,541</u>	<u>\$ 629,512</u>	<u>\$284,134</u>	<u>\$ 114,421</u>	<u>(\$ 433,532 )</u>	<u>(\$ 239,178 )</u>	<u>(\$ 95,951 )</u>	<u>\$ 10,478,195</u>
<b>2020</b>										
Balance on January 1, 2020		\$ 10,168,248	\$ 50,541	\$ 629,512	\$284,134	\$ 114,421	(\$ 433,532 )	(\$ 239,178 )	(\$ 95,951 )	\$ 10,478,195
Net profit for this period		-	-	-	-	1,686,431	-	-	-	1,686,431
Other comprehensive income (loss) for the year	VI (XVII)	-	-	-	-	3,409	(2,302)	170,251	-	171,358
Total comprehensive income for the period		-	-	-	-	1,689,840	(2,302)	170,251	-	1,857,789
Appropriation & distribution of 2019 earnings	VI (XVI)									
Legal reserve		-	-	1,782	-	(1,782)	-	-	-	-
Special reserve		-	-	-	112,639	(112,639)	-	-	-	-
Changes in ownership of subsidiaries		-	-	-	-	(193)	-	-	-	(193)
Balance at Dec. 31, 2020		<u>\$ 10,168,248</u>	<u>\$ 50,541</u>	<u>\$ 631,294</u>	<u>\$396,773</u>	<u>\$ 1,689,647</u>	<u>(\$ 435,834)</u>	<u>(\$ 68,927)</u>	<u>(\$ 95,951)</u>	<u>\$ 12,335,791</u>

The notes to the parent company only financial statements are part of the parent company only financial statements and should be read together.

Chief Director: YANG, YOU-JYE

Manager: CHEN, YI-JU

Accounting Supervisor: LIN, HUI-YEN

Ho Tung Chemical Corp.  
Parent Company Only Statements of Cash Flows  
January 1 to December 31, 2020 and 2019

	Notes	From Jan. 1 to Dec. 31, 2020	Unit: NT\$ thousands (Restatement) From Jan. 1 to Dec. 31, 2019
<u>Cash flows from operating activities</u>			
Profit before tax for the period		\$ 1,708,137	\$ 9,563
Adjustments			
Income and expenses having no effect on cash flows			
Net gain on financial assets at fair value through profit or loss	VI (XXI)	(1,373)	-
Depreciation charge	VI (VIII) and (IX)	50,770	38,458
Expected credit loss	VI (IV), XII (V)	175,409	53,427
Amortization	VI (X), (XXIII)	11,034	10,996
Impairment loss	VI (VIII), (XXI)	80,937	3,017
Interest expense	VI (XXII)	94,397	55,969
Interest income	VI (XIX)	(17,738)	(4,133)
Dividend income	VI (XX)	(16,699)	(15,301)
Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	VI (VI)	(307,156)	(203,765)
Disposal of property, plant and equipment	VI (XXI)	-	96
Overdue accounts payable transferred to other income	VI (XX)	(10,090)	-
Unrealized profits on sales		12,347	11,514
Realized profits on sales		(11,514)	(4,466)
Change in assets/liabilities relating to operating activities			
Financial assets at fair value through profit or loss		1,373	-
Notes receivable		6,904	5,814
Accounts receivable		15,256	294,840
Accounts receivable- related parties		393,961	91,552
Other receivables		76,085	(11,772)
Other receivables - related parties		11,866	(4,628)
Inventory		1,203,555	(81,702)
Prepayment		(3,469)	(64)
Other current assets		140	(116)
Net changes in liabilities relating to operating activities			
Contractual liabilities - current		36,287	417
Notes payable		67	(456)
Accounts payable		(154,298)	198,852
Accounts payable - related parties		(129,314)	(343,400)
Other payables		(65,331)	(6,585)
Other payables -related parties		(2)	(7)
Other current liabilities		(2,871)	15,747
Other non-current liabilities		(899)	(1,221)
Cash inflow (outflow) generated from operations		3,156,951	112,646
Interests received		17,738	4,133
Dividend received		16,699	299,938
Income tax refunded (paid)		(49,603)	(2,058)
Interest paid		(95,873)	(58,739)
Net cash flows from operating activities		<u>3,045,912</u>	<u>355,920</u>

(Continued on next page)

Ho Tung Chemical Corp.  
Parent Company Only Statements of Cash Flows  
January 1 to December 31, 2020 and 2019

	Notes	From Jan. 1 to Dec. 31, 2020	Unit: NT\$ thousands (Restatement) From Jan. 1 to Dec. 31, 2019
<u>Cash flows from investing activities</u>			
Financial assets measured at fair value through other comprehensive income			
Return of share payment after capital reduction		\$ -	\$ 15,387
Decrease (increase) in financial assets measured at amortized cost		( 2,506)	171,596
Acquisition of right-to-use assets		( 1,345)	-
Acquisition of investment accounted for using the equity method- subsidiaries		( 300,000)	-
Invested companies accounted for using the equity method	VI (VI)		
Return of share payment after capital reduction		-	190,405
Acquisition of property, plant and equipment	VI (XXVIII)	(34,430)	(111,623)
Acquisition of intangible assets	VI (X)	(4,493)	-
Increase (decrease) in other non-current assets		<u>129,731</u>	<u>(696)</u>
Cash flow of investment activities (Inflow)		<u>(213,043)</u>	<u>265,069</u>
<u>Cash flows in financing activities</u>			
Decrease in short-term loans		(270,094)	(589,927)
Increase in long-term loans		-	1,700,000
Repayment of long-term debts		(635,348)	(1,646,875)
Cash dividend paid	VI (XVI)	-	(152,524)
Net cash flows from financing activities		<u>(905,442)</u>	<u>(689,326)</u>
Increase (Decrease) in current cash and cash equivalents		1,927,427	(68,337)
Beginning cash and cash equivalents		<u>473,774</u>	<u>542,111</u>
Ending Cash and cash equivalents		<u>\$ 2,401,201</u>	<u>\$ 473,774</u>

The notes to the parent company only financial statements are part of the parent company only financial statements and should be read together.

Chief Director: YANG, YOU-JYE; Manager: CHEN, YI-JU; Accounting Supervisor: LIN, HUI-YEN

Ho Tung Chemical Corp.  
Earnings Distribution Table  
For the Year Ended December 31, 2020

Unit: NTD

Items	Amount
Opening balance	0
Plus: Profit after tax for the period	1,686,431,023
Plus: Adjustments to retained earnings for the period	3,410,004
Minus: Changes in all interests in subsidiaries	(193,182)
Minus: Provision for 10% legal surplus	(168,964,785)
Minus: Provision for special reserve	(107,985,694)
Distributable surplus	1,412,697,366
Distribution items	
Dividend to shareholders (cash dividends of NTD 0.7/share)	(711,777,366)
Total	(711,777,366)
Undistributed surplus at the end of the period	700,920,000

Chief Director: Yang, You-Jye

Manager: Chen, Yi-Ju

Accounting Supervisor: Lin, Hui-Yen

## Ho Tung Chemical Corp. Ho Tung Chemical Corp. Rules of Procedure for Board of Directors Meetings

Article	After amendment	Before amendment	Remark
Article 3	<p>Omitted paragraph 1-2 Election or dismissal of directors or supervisors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities Exchange Act, <u>Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers</u> shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.</p> <p style="text-align: center;">(Omitted)</p>	<p>Omitted paragraph 1-2 Election or dismissal of directors or supervisors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities Exchange Act, shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion. <u>The content of the notice may be placed on the website designated by the securities authority or the Company, and the website address shall be included in the notice.</u></p> <p style="text-align: center;">(Omitted)</p>	Amended according to related laws.
Article 19	<p>Omitted paragraph 1 When it is the meeting time, the chairperson shall</p>	<p>Omitted paragraph 1 When it is the meeting time, the chairperson shall</p>	Amended according to related laws.

	<p>announce that the meeting starts immediately <u>and at the same time announce the number of non-voting shares and the number of shares present and other relevant information.</u></p> <p>However, when less than half of all issued shares are represented in the meeting by then, the chairperson may announce the meeting postponed; the postponement may be called for two times at most. The total number of postponed time shall not exceed one hour. If the quorum is still not met after two postponements are still not met, the chairperson shall declare the meeting adjourned.</p> <p>(Omitted)</p>	<p>announce that the meeting starts immediately.</p> <p>However, when less than half of all issued shares are represented in the meeting by then, the chairperson may announce the meeting postponed; the postponement may be called for two times at most. The total number of postponed time shall not exceed one hour. If the quorum is still not met after two postponements are still not met, the chairperson shall declare the meeting adjourned.</p> <p>(Omitted)</p>	
Article 14	<p>When there is a Director election in the shareholders' meeting, the election shall be conducted in accordance with the applicable election and appointment rules of the Company. The results of the election shall be announced immediately on-site, including the names of the elected Directors and the numbers of voting rights received <u>and the names of the non-elected Directors not elected and number of votes they received.</u></p> <p>(Omitted)</p>	<p>When there is a Director election in the shareholders' meeting, the election shall be conducted in accordance with the applicable election and appointment rules of the Company. The results of the election shall be announced immediately on-site, including the names of the elected Directors and the numbers of voting rights received.</p> <p>(Omitted)</p>	Amended according to related laws.
Article 15	<p>Omitted paragraph 1-2</p> <p>The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were</p>	<p>Omitted paragraph 1-2</p> <p>The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were</p>	Partial amended.

	adopted, and a summary of the deliberations and their voting results (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors. The minutes shall be retained for the duration of the existence of this Corporation.	adopted, and a summary of the deliberations and their voting results (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors or <u>supervisors</u> . The minutes shall be retained for the duration of the existence of this Corporation.	
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**Ho Tung Chemical Corp.**  
**Rules of Procedures for Shareholders' Meetings**  
**(Before Amendment)**

Amended on Jun.19, 2020

- Article 1: To establish a strong governance system and sound supervisory capabilities for the Company's shareholders' meetings, and to strengthen management capabilities, the Rules are adopted pursuant to Article 6 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies for compliance.
- Article 2: Unless otherwise provided in the law or the Articles of Incorporation, the Company's shareholders' meeting shall follow the Rules.
- Article 3: Unless otherwise dictated by regulations, the shareholders' meeting is convened by the Board of Directors.

The convening of an annual shareholders' meeting shall be notified to each shareholder within 30 days prior to the date of the notice. For shareholders holding less than one thousand registered shares, the notice may be sent to the MOPS within 30 days ago. The convening of an extraordinary shareholders' meeting shall be sent to all shareholders within 15 days of the date. For shareholders holding less than one thousand registered shares, the notice may be sent to the MOPS within 15 days of the date.

Election or dismissal of directors or supervisors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities Exchange Act, shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion. The content of the notice may be placed on the website designated by the securities authority or the Company, and the website address shall be included in the notice.

Where re-election of all directors and supervisors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders meeting, after the completion of the re-election in said meeting such



inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.

Article 4: For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.

A shareholder shall provide one proxy form to appoint one proxy. The form shall be delivered to the Company five days prior to the date of the shareholders' meeting. When more than one proxy forms are delivered, the one received earliest shall prevail. However, this restriction does not apply to the withdrawal of prior proxy engagements.

Should a shareholder intends to exercise voting rights by correspondence or electronic means after the deliverance of a written declaration, the intent has to be declared in writing to the Company two days before the date of the shareholders' meeting. When the cancellation is overdue, the voting by proxy prevails.

Article 5: The venue at which a shareholders' meeting is convened shall be the location of the Company or a convenient and suitable location. The starting time of the meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m. The opinions of the Independent Directors regarding the place and time shall be fully considered.

Article 6: The Company shall specify in its shareholders' meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

Shareholders and their proxies (hereinafter referred to collectively as "shareholders") shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting handbook, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of Directors (including Independent Directors), pre-printed ballots shall also be furnished.

Article 7: If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman of the Board. When the Chairman of the Board is on leave or for any reason unable to exercise the powers of the Chairman, the Vice Chairman shall act in place of the chairperson of the meeting; if there is no Vice Chairman or the Vice Chairman also is on leave or for any reason unable to exercise the powers of the Vice Chairman, the Chairman shall appoint one of the Managing Directors to act as the chairperson, or, if there are no Managing Directors, one of the Directors shall be appointed to act as the chairperson. Where the Chairman does not make such a designation, the Managing Directors or the Directors shall elect one person from among themselves to serve as the chairperson.

When a Managing Director or a Director serves as chairperson as referred to in the preceding paragraph, the Managing Director or the Director shall be one who has held that position for six months or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic person Director that serves as chairperson.

It is advisable that shareholders' meetings convened by the Board of Directors be chaired by the Chairman of the Board in person and attended by a majority of the Directors.

If a shareholders' meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall elect one person from among themselves to act as chairperson.

The Company may appoint its attorneys, certified public accountants, or related persons to attend a shareholders' meeting in a non-voting capacity.

Article 8: The Company shall record the shareholders' meeting in its entirety through audio and videotape, including shareholders' register at the venue, the meeting proceedings, voting, and counting the ballots.

The aforementioned recordings shall be kept for at least one year. If, however, a shareholder files a lawsuit based on Article 189 of the Company Act, the recordings shall be retained until the conclusion of the litigation.

Article 9: Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares that attend the shares shall be calculated based on the number of shares that may be exercised by the attendance book and sign-in cards handed over by the registered shareholder.

When it is the meeting time, the chairperson shall announce that the meeting starts immediately. However, when less than half of all issued shares are represented in the meeting by then, the chairperson may announce the meeting postponed; the postponement may be called for two times at most. The total number of postponed time shall not exceed one hour. If the quorum is still not

met after two postponements are still not met, the chairperson shall declare the meeting adjourned.

If the aforementioned two postponements still fail to meet the quorum, but the number of shares that represent more than one-third of the total number of issued shares are present, tentative resolutions may be resolved pursuant to Article 175-1 of the Company Act, and each shareholder will be notified of the tentative resolutions, and another shareholders' meeting will be convened within one month.

If, prior to conclusion of the meeting, the attending shareholders represent more than half of the total number of issued shares, the chairperson may resubmit the tentative resolutions for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 10: If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors.

The chairperson shall not adjourn the meeting without a resolution before the conclusion of the proceedings (including extempore motions) for the first two items. If the chairperson violates meeting rules and announces the meeting adjourned, the attending shareholders can vote on electing one of the shareholders as the new chairperson and continue the meeting if the vote passes the majority of the voting shares.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.

Article 11: Before attendant shareholders make a speech, they have to fill in a statement slip specifying the gist of speech, the shareholder's account number (or attendance card number) and the name of the account. The chairperson shall set the order of speech.

A shareholder who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. If the contents of speech are inconsistent with the contents of speaker's slip, the contents of speech shall prevail.

Except with the consent of the chairperson, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed five minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chairperson may terminate the speech.

When a shareholder attends the shareholders' meeting, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chairperson and the shareholder that has the floor. The chairperson shall stop any violation.

Article 12: Voting of a shareholders' meeting shall be calculated based on the number of shares.

For the resolutions of the shareholders' meeting, the number of shares of the non-voting shareholders is not included in the total number of issued shares.

When a shareholder is an interested party in any item of the agenda, and there is the likelihood that such a conflict of interest would prejudice the shareholder, that shareholder may not vote on that item and may not exercise voting rights as a proxy for any other shareholder.

The shares of the unexecuted voting rights shall not be calculated in the voting number of the attending shareholders.

Except for the trust business or the stock agency approved by the securities regulatory authority, when one person is entrusted by two or more shareholders at the same time, the proxy voting rights shall not exceed three percent of the total voting rights of the issued shares. If it does, the exceeding voting rights are not calculated.

Article 13: A shareholder shall be entitled to one voting right for each share held, except when the shares are restricted shares or are deemed non-voting shares.

When this Corporation holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice.

A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person.

However, the shareholder is deemed to have waived his/her rights with respect to the extempore motions and amendments to original proposals of that meeting.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company two days before the date of the

shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail.

However, this restriction does not apply when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders' meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before two business days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail.

When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the adoption of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.

At the time of a vote, for each proposal, the chairperson or a person designated by the chairperson shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

When there is an amendment or an alternative to a proposal, the chairperson shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote.

When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Scrutineers and vote counting personnel for the voting on a proposal shall be appointed by the chairperson, provided that all monitoring personnel shall be shareholders of the Company. Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting.

Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record is made for the vote.

Article 14: When there is a Director election in the shareholders' meeting, the election shall be conducted in accordance with the applicable election and appointment rules of the Company. The results of the election shall be announced immediately on-site, including the names of the elected Directors and the numbers of voting rights received.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the scrutineers and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit based on Article 189 of the Company Act, the recordings shall be retained until the conclusion of the litigation.

Article 15: Resolutions of a shareholders' meeting shall be recorded in the minutes of the meeting. The meeting minutes shall be signed or stamped by the chairperson of the meeting and distributed to all shareholders within 20 days after the meeting. The production and distribution of the meeting minutes may be effected by electronic means.

The distribution of the meeting minutes as described in the preceding paragraph can be done through a public announcement on the Market Observation Post System.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors or supervisors. The minutes shall be retained for the duration of the existence of this Corporation.

The method of the resolution referred to in the preceding paragraph shall state the method of voting and the ratio of voting rights to weights.

Article 16: The number of shares acquired by the solicitor and the number of shares represented by the entrusted agent shall be clearly disclosed in the venue of the shareholders' meeting at the date of the shareholders' meeting.

If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17: Personnel at the shareholders' meeting shall wear identification badges or arm bands.

The chairperson may direct the pickets or security personnel to help maintain order at the meeting place. The pickets or security personnel shall wear armbands with the word "Picket" when maintaining order.

At the place of a shareholders' meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chairperson may stop the shareholder from so doing.

If the shareholder violates the rules of procedures and defies the chairperson's instruction, and obstructs the proceedings and refuses to stop, the chairperson may direct the pickets or security personnel to escort the shareholder out of the venue.

Article 18: When the meeting is held, the chairperson may announce a recess. When a force majeure event occurs, the chairperson may decide to temporarily suspend the meeting and announce the time for reconvening the meeting.

If the agenda set by the shareholders' meeting cannot be finished before the end of the proceedings (including the extempore motions), the shareholders' meeting may pass a resolution to adopt a new venue.

The shareholders' meeting may, in accordance with the provisions of Article 182 of the Company Act, decide to postpone or resume the assembly within five days.

Article 19: After the attending shareholder has spoken, the chairperson may respond in person or appoint an appropriate person to respond.

Article 20: When a government or a juristic person is a shareholder, the representative of the attending shareholders' meeting is not limited to one person. When a juristic person has been delegated to attend the shareholders' meeting, only one person should be delegated as proxy. When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives may speak on the same proposal.

Article 21: The Rules shall be implemented after approval by the shareholders' meeting. The same shall apply to any amendments.

# Articles of Incorporation of Ho Tung Chemical Corp.

## Chapter 1 General Provisions

- Article 1: The Company is named as Ho Tung Chemical Corp. in accordance with the provisions of the Company Act.
- Article 2: The business operations of the Company are as follows:
- C801020 Petrochemical Manufacturing
  - C803990 Other Petroleum and Charcoal Manufacturing
  - C802090 Cleaning Products Manufacturing
  - F107990 Wholesale of Other Chemical Products
  - F112040 Wholesale of Petrochemical Fuel Products
  - F107030 Wholesale of Cleaning Preparations
  - F401010 International Trade
  - ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval
- Article 3: The Company needs to make endorsements/guarantees for business needs. They shall be handled according to the "Guidelines for Endorsements and Guarantees Made by Listed and OTC Companies" set forth by the competent authority.
- Article 3-1: The Company's reinvestment is conducted in accordance with Board resolutions. Reinvestment is not limited to 40 percent of the total amount of paid-in capital as stipulated in Article 13 of the Company Act.
- Article 4: The Company is headquartered in Kaohsiung City. If necessary, branches can be established by a resolution of the Board of Directors in accordance with the law.
- Article 5: (Deleted)

## Chapter 2 Chapter II Shares

- Article 6: The Company's total capital is set at NT\$11 billion. It is divided into 1.1 billion shares at NT\$10 per share. The Board of Directors is authorized to issue the unissued shares in accordance with the Company's operations.
- Article 7: The Company is a public company. After registration at the centralized securities custodian institution, the Company is exempted from printing stocks.



Article 7-1: (Deleted)

Article 8: Shareholders should submit their factual name as well as signature card to the Company. If the seal is lost or replaced, a written declaration must be made to the Company for replacement. It will be handled in accordance with "Regulations Governing the Administration of Shareholder Services of Public Companies" set forth by competent authority.

Article 9: The application for share transfer shall be submitted to the Company with the form filled in by both the assignor and transferee.

Article 10: The transfer of shares shall not be effective against the Company unless the name and place of residence of the transferee is listed in the shareholders register.

Article 11: (Deleted)

Article 12: (Deleted)

Article 13: The Company shall not handle any requests for transfers of shares within 60 days prior to the shareholders' meeting, 30 days prior to the special shareholders' meeting, or five days prior to the record date for the distribution of dividends, bonuses or other interests.

### **Chapter 3 Shareholders' Meeting**

Article 14: Shareholders' meetings are divided into two categories, including annual ones and extraordinary ones. Annual meetings are convened once every year, six months after the end of the accounting period. Extraordinary meetings are convened when necessary pursuant to the law.

Article 15: Shareholders who cannot attend the shareholders' meeting shall issue a letter of proxy printed by the Company, stating the scope of authorization and the proxy who will attend the meeting. The regulations of the shareholder's attendance shall be conducted in accordance with the provisions of the "Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" promulgated by the competent authority except for the provisions of Article 177 of the Company Act.

Article 16: When a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman of the Board. When the Chairman of the Board is on leave or for any reason unable to exercise the powers of the Chairman, the Vice Chairman shall act in place of the chairperson; if there is no Vice Chairman or the Vice Chairman is also on leave or for any reason unable to exercise the powers of the Vice Chairman, the Chairman shall appoint one of the Managing Directors to act as chairperson, or, if there are no Managing Directors, one of the Directors shall be appointed to act as chairperson. Where the Chairman does not make such a designation, the

Managing Directors or the Directors shall elect one person from among themselves to serve as chairperson.

- Article 17: Except as otherwise provided by law or the competent authority, a shareholder shall be entitled to one voting right for each share held. When the Company holds a shareholders' meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means in accordance with the provisions of the Company Act and the rules set forth by the competent authority.
- Article 18: Unless otherwise provided for in the relevant laws and regulations, a shareholders' meeting shall be attended by a majority of the total number of issued shares, either in person or by proxy. Resolutions shall be adopted with the majority of the shareholders.
- Article 19: Resolutions adopted by a shareholders' meeting shall be recorded in the minutes of the meeting. The meeting minutes shall be signed by the chairperson of the meeting and distributed to the shareholders. The distribution of the meeting minutes may be done through a public announcement on the Market Observation Post System.

#### **Chapter 4 Directors**

- Article 20: The Company has seven to eleven Directors elected from adults with legal status at the shareholders' meeting. The candidate nomination system is adopted for the election.

Among the Directors, there shall be no fewer than three Independent Directors or less than one-fifth of all Directors. The professional qualifications, shareholding, concurrent posts restrictions, nomination and election methods and other compliance matters shall be based on the relevant regulations of the securities competent authority.

The Chairman of the Board shall be elected among more than half of the Directors with more than two-thirds of the Directors present at the meeting. The Vice Chairman shall be elected with the same method. The Chairman of the Board represents the Company.

- Article 20-1: The Company has set up an Audit Committee pursuant to Article 14-4 of the Securities and Exchange Act, and is composed of Independent Directors. The terms of reference and other matters to be complied with by the Audit Committee shall be conducted in accordance with the provisions of the relevant laws and regulations or the Company's regulations.

- Article 21: The term of Directors shall be three years, and they may be re-elected. The total number of shares held by all Directors in the preceding paragraph shall not be less than the number of shares stipulated by the competent authority in accordance with the laws and regulations.

- Article 22: When one-third of the total number of Director seats are empty, or when all Independent Directors are dismissed, the Board of Directors shall convene a by-election of the shareholders' temporary meeting within 60 days. The term of office shall be limited to the original term.
- Article 23: The Company's business objectives and other important matters shall be decided by the Board of Directors. The first meeting of each Board shall be convened by the Director with the most voting shares; other Board meetings are convened and chaired by the Chairman. When the Chairman is not capable of performing his/her duties, the Vice Chairman shall be the acting Chairman. When there is no Vice Chairman or if the Vice Chairman is not capable of performing his/her duties, the Chairman shall designate a Director to be the acting Chairman. When no one is designated, the Directors will elect one person among themselves to be the acting Chairman.
- Article 24: To convene the Board of Directors meeting, the Company shall inform each Director seven days prior to the meeting. However, in the event of an emergency, the meeting may be convened at any time. The Board meeting may be convened in writing, e-mail or fax. Unless otherwise provided in the Company Act, a Board of Directors meeting shall be attended by a majority of the Directors. The Directors may submit a proxy letter with the scope of authorization for a proxy to attend in their place, but it is limited to one person. The resolutions are adopted by the majority of the Directors present.
- Article 25: (Deleted)
- Article 26: When the Directors are executing the Company's business, the Company shall pay salaries regardless of profit or loss. The Directors of the Company are entitled to remuneration and transportation fees. The Board is authorized to determine the value of the Directors' involvement and contribution to the Company as well as by referencing to the industry standards.
- Article 26-1: The Company shall purchase liability insurance for Directors and managers during their term of service in the scope of the execution of business according to law. The amount of insurance and insurance coverage is determined by the Board of Directors.

## **Chapter 5 Managers**

- Article 27: The Company may create the position of manager. Its appointment, dismissal and remuneration shall be handled in accordance with Article 29 of the Company Act.

## **Chapter 6 Distribution of Earnings**

- Article 28: The Board of Directors shall prepare the following statements for each fiscal year, submitting to the Audit Committee for review and the shareholders' meeting for ratification:

Business Report

Financial Statements

Proposal for distribution of earnings or loss make-up

Article 29: If the Company has a profit for the year, no less than 1 percent shall be appropriated as employee's compensation and no more than 3 percent shall be appropriated as remuneration of Directors and supervisors. However, if the Company still records a cumulative loss, the profit shall first be used to make up the loss.

The term "profit" as used in the preceding paragraph refers to the profit before tax for the year before deducting the employee compensation and Directors' and supervisors' remuneration.

The employees' compensation may be distributed in cash or shares. Employees of the subordinate companies that meet certain conditions may also be included. The conditions and distribution methods are authorized for the Board of Directors to decide.

Article 29-1: If the Company's annual final accounting is a surplus, the Company shall pay taxes and make up for accumulated losses, and appropriate 10 percent as legal reserve. Special reserve shall be appropriated pursuant to Article 41 of Securities and Exchange Act. In addition, the balance is added to the undistributed surplus from the previous year. If there is still a balance, the dividend will be distributed first with the limit of 10 percent. The balance of the distribution will be distributed by the shareholders' meeting.

Article 30: The distribution of the Company's dividends is based on the condition of profit, and future capital requirements and the sustainable development shall be taken into consideration when the Company plans the distribution in terms of overall capital expenditure. For dividend distribution, cash dividend payout ratio shall be no less than 10 percent of the total cash dividend. If the Company has expanded the construction or future investment plans in the current year, it may be fully distributed in stock dividends.

## **Chapter 7 Supplementary Provisions**

Article 31: Matters not specified in the Articles of Incorporation shall be handled in accordance with the provisions of the Company Act and the Securities and Exchange Act.

Article 32: The Company's organizational rules and enforcement rules are otherwise formulated through resolutions of the Board of Directors.

Article 33: The Articles of Incorporation were established by the initiators on July 10, 1980. The 1st amendment was made on November 9, 1983. The 2nd amendment was made on November 1, 1984. The 3rd amendment was made on August 1, 1987.

The 4th amendment was made on November 1, 1987. The 5th amendment was made on December 22, 1989. The 6th amendment was made on March 28, 1990. The 7th amendment was made on June 28, 1990. The 8th amendment was made on December 15, 1990. The 9th amendment was made on March 8, 1991. The 10th amendment was made on May 27, 1991. The 11th amendment was made on March 3, 1992. The 12th amendment was made on June 23, 1993. The 13th amendment was made on July 5, 1994. The 14th amendment was made on June 6, 1995. The 15th amendment was made on June 29, 1996. The 16th amendment was made on May 26, 1997. The 17th amendment was made on April 23, 1998. The 18th amendment was made on May 6, 1999. The 19th amendment was made on April 19, 2000. The 20th amendment was made on July 19, 2000. The 21st amendment was made on May 11, 2001. The 22nd amendment was made on May 6, 2002. The 23rd amendment was made on November 4, 2002. The 24th amendment was made on April 29, 2003. The 25th amendment was made on December 5, 2003. The 26th amendment was made on June 29, 2005. The 27th amendment was made on June 14, 2006. The 28th amendment was made on June 13, 2008. The 29th amendment was made on June 15, 2010. The 30th amendment was made on June 10, 2011. The 31st amendment was made on June 19, 2012. The 32nd amendment was made on June 19, 2014. The 33rd amendment was made on June 21, 2016. The 34th amendment was made on June 22, 2017. The 35th amendment was made on June 25, 2019.

**Ho Tung Chemical Corp.**

**Chairman You-Jye Yang**

## Ho Tung Chemical Corp. Shareholdings of All Directors

- I. The paid-in capital of the Company is NT\$10,168,248,080 and the number of issued shares is 1,016,824,808.
- II. According to Article 26 of the Securities and Exchange Act, the minimum number of shares held by all Directors shall be 32,000,000 shares.
- III. The shareholding status of the individual and all Directors as recorded in the shareholders' meeting on the book closure date of this shareholders' meeting is as follows:

April 24, 2021

Title	Name/Representative	Shares	%
Chairman	Hung I Investment Co., Ltd. Representative: You-Jye Yang	101,690,169	10.000
Director	Hung I Investment Co., Ltd. Representative: Yi-Ju Chen		
Director	Hung I Investment Co., Ltd. Representative: Wei-Yu Chen		
Director	Hung I Investment Co., Ltd. Representative: Long-Chain Lee		
Director	Yuan Ho Chen Memorial Foundation Representative: Ye-Shyon Chen	93,607	0.009
Director	Kuo-Jung Shih	0	0
Independent Director	Wen-Syan Su	0	0
Independent Director	Yung-Yuan Chang	0	0
Independent Director	Chia-Pin Chang	0	0
Total number of shares held by all Directors		101,783,776	10.009