



Ho Tung Chemical Corp.  
2022 Annual Shareholders' Meeting

**Meeting  
Handbook**

Meeting Date: Jun. 23, 2022

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

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**Ho Tung Chemical Corp.**  
**Procedure of 2022 Annual Shareholders’  
Meeting**

1. Call Meeting to Order
2. Chairman’s Address
3. Reports Items
4. Ratifications Items
5. Discussion Items
6. Extemporaneous Motions
7. Adjournment

# **Ho Tung Chemical Corp.**

## **Agenda of 2022 Annual Shareholders' Meeting**

Time and Date of Meeting: 9:00 a.m., Jun. 23, 2022 (Thursday)

Place of Meeting: 1F., No. 6, Sec. 1, Jung-Shing Rd., Wugu Dist.,  
New Taipei City

Meeting Type: Physical shareholders meeting

Attendants: All shareholders and equity representatives

Chairman: Chairman Li-Chiou Chang

### **I. Call Meeting to Order**

### **II. Chairman's Address**

### **III. Report Items**

1. 2021 Business Report
2. 2021 Audit Committee's Audit Report
3. 2021 Employees' and Directors' Remuneration
4. 2021 External Endorsements and Guarantees

### **IV. Ratification Items**

1. Ratification of 2021 Business Report and Financial Statements
2. Ratification of 2021 Earnings Distribution

### **V. Discussion Items**

1. The Amendment to the Company's Regulations Governing the Acquisition and Disposal of Assets

### **VI. Extemporaneous Motions**

### **VII. Adjournment**

## **Report Items**

### **Item 1 2021 Business Report**

Description: Please refer to Attachment I on page 7 of this Handbook for the 2021 Business Report.

### **Item 2 2021 Audit Committee's Audit Report**

Description: Please refer to Attachment II on page 8 of this Handbook for Audit Committee's Audit Report.

### **Item 3 2021 Employees' and Directors' Remuneration**

Description:

1. According to the Article 29 of the Company's Articles of Incorporation.
2. The 16th meeting of the 14th Board of Directors of the Company resolved to distribute the employees' and directors' remuneration in 2021 by cash, and the amounts were respectively TWD7,879,027 and TWD7,879,027.

## Item 4 2021 External Endorsements and Guarantees

Description: The Company and its' subsidiaries' external endorsements and guarantees for 2021 are:

Unit: NT\$ thousand

Endorser Company Name	Object of Endorsement		Endorsement Guarantee Closing Balance	Actual Endorsement Guaranteed
	Company Name	Relationship (Note 1)		
Hsin Tay Petroleum Co., Ltd.	Chenergy Global Corp.	4	190,000	190,000
Jintung Petrochemical Co., Ltd.	Anhui Jintung Fine Chemical Corp., Ltd.	2	130,281	0
			320,281	190,000

Note 1: The relationship between the endorsement and guarantee providers and subjects are as follows:

- (1) A Company with which it does business.
- (2) A Company in which the public company directly or indirectly holds more than 50% of the voting shares
- (3) A Company that directly or indirectly holds more than 50% of the voting shares in the public company.
- (4) Companies in which the public company holds, directly or indirectly, 90% or more of the voting shares.

## **Ratification Items**

### **Item 1 2021 Business Report (Proposed by the Board of Directors)**

Description:

1. The Company's 2021 parent company only financial report and consolidated financial report have been issued the audit report with unqualified opinion by CPAs Tsung-Hsi Lai and Chao-Ming Wang of PwC Taiwan. Along with the 2021 business report which has been submitted to the Board of Directors for approval and the Audit Committee for review. No discrepancy has been found and the audit report has been issued
2. For the 2021 business report and the financial statements above, please refer to Attachment I on page 7 and Attachment III on page 9~33.
3. Please acknowledge.

Resolution:

### **Item 2 2021 Earnings Distribution (Proposed by the Board of Directors)**

Description:

1. The 2021 Earnings Distribution has been approved by the Company's Board of Directors and the Audit Committee Audit report is received.
2. Please refer to Attachment IV on page 34 of this Handbook for Earnings Distribution.
3. Please acknowledge.

Resolution:

## **Discussion Items**

### **Item 1** Discussion on the amendment to the Company's Regulations Governing the Acquisition and Disposal of Assets **(Proposed by the Board of Directors)**

Description:

1. It is conducted in accordance with the actual needs of the company to amend part of articles of the company's Regulations Governing the Acquisition and Disposal of Assets.
2. The table for the Amended articles is set out. (please refer to the attachment V on page 35-41 of this Handbook).
3. The proposal has been approved at the Company's 17th meeting of the 14th Board of Directors.

Resolution:

## **Extemporaneous Motions**

## **Adjournment**



## Ho Tung Chemical Corp. 2021 Business Report

### 2021 Performance

The cleaning products market has generated demand during the pandemic, but the gradual unblocking of global economic activities and the overall economic recovery have gently pushed up crude oil prices and raised the operating cost. Under the conservation of working capital, integration of various resources within the Group and joint efforts of all employees, the Company's consolidated net operating revenue in 2021 was NT\$20.2 billion (hereinafter the same), a decrease of \$5.6 billion from the previous year, and the consolidated profit after tax in 2021 was \$1.4 billion, a decrease of \$900 million from the previous year.

### 2022 Outlook

The tightening and easing of COVID-19 control measures are expected to affect the physical operation and operating costs of the upstream and downstream supply chains of the industry. The foreseeable unlocking of economic activities and the overall economic recovery will also push up crude oil prices continuously. The Company will stay tuned to the marketing balance between raw material prices, material prices, and product sales prices and keep on responding to the international market, the Chinese market allocation, and upstream and downstream production capacity, and strategically cooperate with market peers to enhance product selection diversity.

In addition to closely observing and responding to the volume and price changes in the upstream and downstream markets, the Company will maintain good relations with suppliers, negotiate long-term contracts to obtain raw materials steadily, and actively improve production efficiency to reduce production costs and enhance the Group's competitiveness. With the two objectives of product refinement and market segmentation, combined with a reasonable strategic alliance, we will further improve the investment foundation and the business of other surfactant products.

Chairman: Li-Chiou Chang      Manager: Yi-Ju Chen      Accounting Supervisor: Hui-Yen Lin

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

The Board of Directors has submitted the Company's 2021 business report, financial statements, and earnings distribution proposal, in which the financial statements have been audited by PwC Taiwan and issued an audit report. The aforementioned business report, financial statements, and earnings distribution proposal have been reviewed by the Audit Committee and found that there is no discrepancy. 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 2022 Shareholders' Meeting

Ho Tung Chemical Corp.

Convener of the Audit Committee:

March 16<sup>th</sup> 2022

## **Independent Auditors' Report**

(111) TSAI-SHEN-PAO-TZU No. 21005124

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

### **Opinion**

We have audited the Consolidated Balance Sheet of Ho Tung Chemical Corp and its subsidiaries (hereinafter referred to as “the Group”) as of December 31, 2021 and 2020, the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to Consolidated Financial Statements (including Summary of Significant Accounting Policies) for the annual period ended December 31, 2021 and 2020.

In our opinion, based on our audits and the report of other independent accountants (please refer to "other matter"), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparations of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Individual Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS) of the Republic of China. Our responsibilities required under said standards will be detailed in the paragraph about the external auditor's responsibility on auditing consolidated financial statements. We are independent of the Group in accordance with Code of Professional Ethics for Certified Public Accountant in Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### **Key Audit Matters**

Key Audit Matters refer to matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statement of the Group for the year ended December 31, 2021. These matters were addressed in the context of our audit of the

consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2021 are stated as follows:

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

#### **Description**

Please refer to Note IV (XXIX) for details of the accounting policies of the recognition of operating revenue.

Ho Tung Chemical Group is primarily engaged in selling of chemical products and sales revenue mainly arises from exports. The products are delivered to purchasers when the control of the promised goods has been transferred to the purchaser and revenue is recognized when the control is transferred. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. As transaction amount is enormous, revenue from sales of goods serves as the main indicator of determining whether the operating and financial goals and investors' expectations are met, and there might be inaccurate timing of revenue recognition shortly before or after the balance sheet date, the accurate timing of recognition of export revenue from is identified as a key audit matter.

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

We performed the following key audit procedures for the above key audit matters:

1. Review terms on the sales contracts and orders, confirming revenue from sales is recognized in conformity with contract terms and other related transaction terms.
2. Analyze fluctuation in sales of all products, understanding the nature of significant changes in sales.
3. Sample and review revenues from exports in the appropriate period of time before or after the balance sheet date, including verification of the contents of transaction agreements, trade terms, and other related documents in order to confirm that these revenues were recognized at the appropriate date.

## **Oil spill pollution incident at port - set aside the provisions**

### Description

As described in Note IX (I) to the consolidated financial statements, Chenenergy Co., Ltd. (hereinafter referred to as “Chenenergy”) had an oil spill pollution incident at West Seven Wharf of Taichung Port on October 24, 2013. Regarding the environmental restoration obligations and legal proceedings arising from the incident, the management has appointed a professional environmental engineering team and lawyers to evaluate, and the amount of impact may be significant. In addition, significant accounting judgments of the management must be involved when estimating provisions in accordance with IAS 37, and, therefore, we believe that Chenenergy's provisions for this event is one of the most important matters in this year's audit.

### How the matter was addressed in our audit

The financial statements of Chenenergy were audited by other independent accountants. Summary of how the accountants addressed the above key audit matter is provided below:

1. Interview the management of Chenenergy to understand their assessment of the pending environmental restoration and litigation cases.
2. Obtain the management's self-assessment documents for environmental restoration and legal confirmation letters issued by external lawyers for the pending litigation cases.
3. Assess the appropriateness of the relevant provisions and disclosure of contingent liabilities.

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

We did not audit the financial statements of certain subsidiaries furnished to the consolidated financial statements. The financial statements of these subsidiaries were audited by other independent accountants. Thus, opinions expressed herein, insofar as it relates to the amounts included in the consolidated financial statements and information disclosed in Note XIII relative to these subsidiaries, are based solely on the reports of other independent accountants. The total assets of these subsidiaries amounted to NT\$3,897,296 thousands and NT\$4,601,800 thousands, constituting 16.23% and 18.95% of the consolidated total assets, respectively, as of December 31, 2021, and 2020; net income from operations amounted to NT\$797,560 thousands and NT\$3,134,625 thousands for the period ended December 31, 2021, and 2020, constituting 3.95% and 12.13% of the consolidated net income from operations, respectively. The financial statements of the Group's investees accounted for under the equity

method, including HT-S Venture Philippines Corporation and Tung Bao Ltd., were audited and disclosed by other independent accountants hired by the investees. As of December 31, 2021, and 2020, the investment balance was NT\$308,569 thousands and NT\$297,335 thousands, respectively, constituting 1.29% and 1.22% of the consolidated total assets; for the periods from January 1 to December 31, 2021, and 2020, the comprehensive income was NT\$10,745 thousands and NT\$2,070 thousands, constituting 0.63% and 0.08% of the consolidated comprehensive income respectively.

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

We have also audited the parent company only financial statements of Ho Tung Chemical Corp. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unqualified opinion.

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

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

In preparing the Consolidated Financial Statements, the responsibility of management includes assessing the Group's ability to continue as a going concern, disclosing going concern related matters, as well as adopting going concern basis of accounting unless the management intends to liquidate the Group or terminate the business, or has no realistic alternative but to do so.

The governing bodies of Ho Tung Chemical Group (including the Audit Committee) have the responsibility to oversee the procedures for financial reporting.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of

assurance, but is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) of Republic of China will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could have influence on the economic decisions made by the users of the consolidated financial statements, they will be deemed as material.

As part of an audit in accordance with GAAS of Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also execute the following tasks:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies adopted by the management and the reasonableness of the accounting estimates and related disclosures made accordingly.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements; or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may cause the Group to no longer continue as a going concern.
5. Evaluate the overall expression, structure, and contents of the consolidated financial statements (including related notes) and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence with regard to the financial information of the entities within the Group to express an opinion about the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit.

We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Taiwan

LAI, TSUNG-HIS CPA

WANG, CHAO-MING

Former Securities and Futures Bureau, FSC,  
Executive Yuan

Approval Certificate No.: CHIN-KUANCHENG-  
LIU-TZU No. 0960038033

Former Securities Management Commission,  
Ministry of Finance

Approval Certificate No.: (85)TAI-TSAICHENG(VI)  
No. 65945

March 16, 2022



Ho Tung Chemical Corp. and SubsidiariesConsolidated Balance SheetsDecember 31, 2021 and 2020

Unit: NT\$ thousands

			December 31, 2021		December 31, 2020	
Asset		Notes	Amount	%	Amount	%
<b>Current assets</b>						
1100	Cash and cash equivalents	VI (I)	\$ 6,438,023	27	\$ 6,568,066	27
1110	Financial assets at fair value through profit or loss - current	VI (II)	528	-	208,988	1
1136	Financial assets at amortized cost - current	VI (IV) & VIII	818,854	3	1,201,686	5
1150	Notes receivable, net	VI (V) & VIII	183,200	1	156,703	1
1170	Accounts receivable, net	VI (V)(VI)	2,701,292	11	2,857,645	12
1180	Accounts receivable - related parties, net	VII	142,972	1	126,862	-
1200	Other receivables	VI (III)(VIII)(IX) & IX (I)	134,992	1	155,748	-
1210	Other receivables - related parties	VII	5	-	729	-
130X	Inventories	VI (VII)	2,520,543	10	2,375,788	10
1410	Prepayment	VI (VIII) & VII	501,131	2	478,619	2
1470	Other current assets		185	-	659	-
11XX	<b>Total current assets</b>		<u>13,441,725</u>	<u>56</u>	<u>14,131,493</u>	<u>58</u>
<b>Non-current assets</b>						
1517	Financial assets at fair value through profit or loss - non-current	VI (III)	2,684,985	11	2,371,711	10
1535	Financial assets at amortized cost - non-current	VI (IV)(VIII) & IX (I)	171,207	1	57,029	-
1550	Investment accounted for using equity method	VI (IX)	308,569	1	297,335	1
1600	Property, plant, and equipment	VI (XI), VII & VIII	5,059,629	21	4,894,032	20
1755	Right-of-use assets	VI (XII) & VIII	1,494,011	6	1,571,869	7
1760	Investment property, net	VI (XIV) & VIII	101,993	1	102,176	-
1780	Intangible assets	VI (XV)	374,540	2	396,561	2
1840	Deferred income tax assets	VI (XXXV)	282,684	1	302,390	1
1900	Other non-current assets	VI (XXI)(XXII) & VII	89,780	-	157,229	1
15XX	<b>Total non-current assets</b>		<u>10,567,398</u>	<u>44</u>	<u>10,150,332</u>	<u>42</u>
1XXX	<b>Total assets</b>		<u>\$ 24,009,123</u>	<u>100</u>	<u>\$ 24,281,825</u>	<u>100</u>

(Continued)

## Ho Tung Chemical Corp. and Subsidiaries

## Consolidated Balance Sheets

December 31, 2021 and 2020

Unit: NT\$ thousands

			December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Liabilities and equity						
Current liability						
2100	Short-term loans	VI (XVIII) & VIII	\$ 581,927	2	\$ 1,112,949	5
2130	Contract liabilities- current	VI (XXVII)	199,535	1	335,935	1
2150	Notes payable		1,630	-	1,630	-
2170	Accounts payable		1,585,887	7	934,909	4
2180	Accounts payable - related parties	VII	-	-	14,014	
2200	Other payables	VI (XIX)	1,173,423	5	1,212,621	5
2220	Other payables - related parties	VII	4,531	-	12,225	-
2230	Current income tax liabilities		123,161	1	257,215	1
2280	Lease liabilities - current		34,333	-	36,870	-
2320	Long-term liabilities due within one year or one operating cycle	VI (XX) & VIII	342,000	1	243,623	1
2399	Other current liabilities — others	VI (XXI) & IX(I)	354,981	1	618,358	3
21XX	Total current liabilities		4,401,408	18	4,780,349	20
Non-current liabilities						
2540	Long-term loans	VI (XX) & VIII	1,462,778	6	1,675,815	7
2570	Deferred income tax liabilities	VI (XXXV)	55,920	1	5,404	-
2580	Lease liabilities - non-current		702,153	3	736,589	3
2600	Other non-current liabilities	VII	759,757	3	739,704	3
25XX	Total non-current liabilities		2,980,608	13	3,157,512	13
2XXX	Total liabilities		7,382,016	31	7,937,861	33
Equity						
Equity attributable to owners of parent company						
	Share capital	VI (XXIII)				
3110	Share capital - common stock		10,168,248	42	10,168,248	42
	Capital surplus	VI (XXIV)				
3200	Capital surplus		57,093	-	50,541	-
	Retained earnings	VI (III) and (XXV)				
3310	Legal reserve		800,259	3	631,294	2
3320	Special reserve		504,761	2	396,773	2
3350	Unappropriated retained earnings		1,422,870	6	1,689,647	7
	Other equity interest	VI (XXVI)				
3400	Other equity interest		( 233,850)	( 1)	( 504,761)	( 2)
3500	Treasury stocks	VI (XXIII)	( 95,951)	-	( 95,951)	-
31XX	Equity attributable to owners of parent company		12,623,430	52	12,335,791	51
36XX	Non-controlling Interests		4,003,677	17	4,008,173	16
3XXX	Total equity		16,627,107	69	16,343,964	67
	Significant Contingent Liabilities and Unrecognized Contract Commitments	IX				
	Significant events after the balance sheet date	XI				
3X2X	Total liabilities and equity		\$ 24,009,123	100	\$ 24,281,825	100

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

Chief Director: Chang, Li-Chiu

Manager: CHEN, YI-JU

Accounting Supervisor: Lin, Hui-yen

Ho Tung Chemical Corp. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1 to December 31, 2021 and 2020

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

	Items	Notes	2021		2020	
			Amount	%	Amount	%
4000	Operating revenue	VI(XIII),(XXVII) & VII	\$ 20,211,458	100	\$ 25,849,191	100
5000	Operating costs	VI(VII),(XXVIII), (XXXIII), (XXXIV) & VII	( 17,123,376)	( 85)	( 19,843,007)	( 77)
5900	Gross profit		3,088,082	15	6,006,184	23
5910	Unrealized profits on sales		( 246)	-	( 1,927)	-
5920	Realized profits on sales		1,927	-	1,521	-
5950	Gross profit from operations		3,089,763	15	6,005,778	23
	Operating expenses	VI(XXXIII), (XXXIV)				
6100	Selling expenses		( 560,958)	( 3)	( 859,410)	( 3)
6200	Administrative expenses		( 679,234)	( 3)	( 720,864)	( 3)
6300	Research and development expenses		( 75,240)	-	( 66,745)	-
6450	Expected credit impairment gain (loss)		7,946	-	( 725,550)	( 3)
6000	Total operating expenses		( 1,307,486)	( 6)	( 2,372,569)	( 9)
6900	Profit from operations		1,782,277	9	3,633,209	14
	Non-operating income and expenses					
7100	Interest income	VI (IV),(XXIX) & VII	106,207	1	68,925	-
7010	Other income	VI (XXI),(XXX) & VII	376,038	2	111,197	-
7020	Other gains and losses	VI(II),(VIII),(IX) (XI),(XII), (XXXI) & IX(I)	( 168,399)	( 1)	( 569,394)	( 2)
7050	Finance costs	VI (XII),(XXXII)	( 115,993)	( 1)	( 235,168)	( 1)
7060	Share of profit (loss) of associates and joint ventures accounted for under equity method	VI (IX)	10,745	-	1,259	-
7000	Total non-operating income and expenses		208,598	1	( 623,181)	( 3)
7900	<b>Pre-tax profit</b>		1,990,875	10	3,010,028	11
7950	Income tax expense	VI (XXXV)	( 531,327)	( 3)	( 610,482)	( 2)
8200	<b>Net profit for the period</b>		\$ 1,459,548	7	\$ 2,399,546	9

(Continued)

Ho Tung Chemical Corp. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1 to December 31, 2021 and 2020

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

	Items	Notes	2021		2020	
			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)	\$ 1,156	-	\$ 4,321	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	VI (III)	352,852	2	171,661	1
8349	Income tax expenses related to items that will not be reclassified subsequently to profit or loss	VI (XXXV)	( 231)	-	( 866)	-
8310	Total amount of items that will not be reclassified to profit or loss		<u>353,777</u>	<u>2</u>	<u>175,116</u>	<u>1</u>
	<b>Items that may be reclassified subsequently to profit or loss</b>					
8361	Exchange differences on translation of foreign financial statements		( 109,192)	( 1)	52,033	-
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)	( 808)	-	812	-
8360	Total amount of items that may be reclassified subsequently to profit or loss		( 110,000)	( 1)	52,845	-
8500	<b>Total comprehensive income (loss) for the period</b>		<u>\$ 1,703,325</u>	<u>8</u>	<u>\$ 2,627,507</u>	<u>10</u>
	Net profit attributable to:					
8610	Owners of the parent company		<u>\$ 722,746</u>	<u>3</u>	<u>\$ 1,686,431</u>	<u>6</u>
8620	Non-controlling Interests		<u>\$ 736,802</u>	<u>4</u>	<u>\$ 713,115</u>	<u>3</u>
	Total Comprehensive Income Attributable to:					
8710	Owners of the parent company		<u>\$ 992,864</u>	<u>4</u>	<u>\$ 1,857,789</u>	<u>7</u>
8720	Non-controlling Interests		<u>\$ 710,461</u>	<u>4</u>	<u>\$ 769,718</u>	<u>3</u>
	Earnings per share	VI (XXXVI)				
9750	Basic earnings per share		<u>\$ 0.72</u>	<u>1.68</u>	<u>\$ 1.68</u>	<u>1.68</u>
9850	Diluted earnings per share		<u>\$ 0.72</u>	<u>1.68</u>	<u>\$ 1.68</u>	<u>1.68</u>

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

Chief Director: Chang, Li-Chiou

Manager: CHEN, YI-JU

Accounting Supervisor: Lin, Hui-yen

Equity attributable to owners of parent company											
Notes	Share capital - common stock	Capital surplus	Retained earnings			Other equity interest		Treasury stocks	Total	Non-controlling Interests	Total
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains or losses on financial assets at fair value through other comprehensive income				
VI (XXVI)	\$ 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
	-	-	-	-	1,686,431	-	-	-	1,686,431	713,115	2,399,546
	-	-	-	-	3,409	( 2,302 )	170,251	-	171,358	56,603	227,961
	-	-	-	-	1,689,840	( 2,302 )	170,251	-	1,857,789	769,718	2,627,507
VI (XXV)	-	-	1,782	-	( 1,782 )	-	-	-	-	-	-
	-	-	-	112,639	( 112,639 )	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	( 104,586 )	( 104,586 )
	-	-	-	-	( 193 )	-	-	-	( 193 )	193	-
VI (XXVI)	\$ 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
	\$ 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
	-	-	-	-	722,746	-	-	-	722,746	736,802	1,459,548
	-	-	-	-	953	( 83,580 )	352,745	-	270,118	( 26,341 )	243,777
VI (XXV)	-	-	-	-	723,699	( 83,580 )	352,745	-	992,864	710,461	1,703,325
	-	-	168,965	-	( 168,965 )	-	-	-	-	-	-
	-	-	-	107,988	( 107,988 )	-	-	-	-	-	-
	-	-	-	-	( 711,777 )	-	-	-	( 711,777 )	-	( 711,777 )
VI (III)	-	-	-	-	-	-	-	-	-	( 712,623 )	( 712,623 )
	-	-	-	-	( 1,746 )	-	1,746	-	-	-	-
	-	7,186	-	-	-	-	-	-	7,186	-	7,186
	-	( 634 )	-	-	-	-	-	-	( 634 )	( 2,334 )	( 2,968 )
VI (XXIV)(XXXVI I)	\$ 10,168,248	\$ 57,093	\$ 800,259	\$ 504,761	\$ 1,422,870	(\$ 519,414 )	\$ 285,564	(\$ 95,951 )	\$ 12,623,430	\$ 4,003,677	\$ 16,627,107

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Ho Tung Chemical Corp. and SubsidiariesConsolidated Statements of Cash FlowsJanuary 1 to December 31, 2021 and 2020

Unit: NT\$ thousands

	Notes	For the year ended December 31, 2021	For the year ended December 31, 2020
<u>Cash flows from operating activities</u>			
Profit before tax for the period		\$ 1,990,875	\$ 3,010,028
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)	( 3,786 )	( 22,880 )
Depreciation charge	VI(XI),(XII),(XIV), (XXXIII)	478,612	556,639
Amortization	VI (XV)(XXXIII)	21,841	36,070
Expected credit impairment (gain of reversal) loss		( 7,946 )	725,550
Interest expense	VI (XXXII)	115,993	235,168
Interest income	VI (XXXIX)	( 106,207 )	( 68,925 )
Dividend income	VI (XXX)	( 38,807 )	( 16,779 )
Impairment loss	VI(VIII)(IX)(XI) (XXXI)	296	505,855
Share of loss (profit) of associates accounted for under equity method	VI (IX)	( 10,745 )	( 1,259 )
Expenses transferred from property, plant and equipment		229	-
Loss on disposal of property, plant and equipment	VI (XXXI)	106,510	4,497
Loss on disposal of right-of-use assets	VI (XXXI)	4,853	-
(Gain) loss on lease modification	VI (XII) (XXXI)	( 314 )	14,373
Government subsidy income	VI (XXX)	( 292,864 )	( 31,223 )
Loss on disposal of investment in subsidiaries	VI (XXXI)	17,061	-
Unrealized profits on sales		246	1,927
Realized profits on sales		( 1,927 )	( 1,521 )
Provisions amount	VI (XXXI) & IX(I)	-	154,000
Changes in assets/liabilities relating to operating activities			
Net changes in operating assets			
Financial assets mandatorily measured at FVTPL		211,089	57,734
Notes receivable		( 26,497 )	203,826
Accounts receivable		148,965	( 145,586 )
Accounts receivable - related parties		54,303	229,036
Other receivables		( 7,246 )	160,963
Other accounts receivable - related parties		552	140
Inventories		( 163,371 )	1,486,200
Prepayment		( 24,220 )	( 55,722 )
Other current assets		474	( 320 )
Net changes in liabilities relating to operating activities			
Contract liabilities		( 136,400 )	32,619
Notes payable		-	( 68 )
Accounts payable		641,558	( 398,612 )
Accounts payable - related parties		-	13,739
Other payables		22,447	50,149
Other payables - related parties		( 7,601 )	114
Other current liabilities		7,427	16,576
Other non-current liabilities		59,127	43,536
Cash inflow generated from operations		3,054,527	6,795,844
Interest received		106,817	69,115
Dividend received		38,807	17,489
Interest paid		( 116,956 )	( 215,919 )
Income tax paid		( 594,343 )	( 497,568 )
Net cash flows from operating activities		2,488,852	6,168,961

(Continued)

Ho Tung Chemical Corp. and SubsidiariesConsolidated Statements of Cash FlowsJanuary 1 to December 31, 2021 and 2020

Unit: NT\$ thousands

	Notes	For the year ended December 31, 2021	For the year ended December 31, 2020
<u>Cash flows from investing activities</u>			
Disposal of financial assets measured at fair value through other comprehensive income	VI (III)	\$ 2,041	\$ -
Acquisition of financial assets measured at FVTOCI	XII (V)	-	( 608,034 )
Capital reduction and return stock of financial assets measured at FVTOCI	VI (III)	361	-
Decrease (increase) in financial assets at amortized cost		250,219	( 171,268 )
Acquisition of property, plant, and equipment	VI (XXXVIII)	( 751,997 )	( 188,184 )
Disposal of property, plant, and equipment	VI (XXXVIII)	16,702	167
Acquisition of right-of-use assets		( 1,216 )	( 2,544 )
Acquisition of intangible assets	VI (XXXVIII)	( 18,795 )	( 42,974 )
Disposal of investments accounted for using equity method	VI (IX)	33,038	-
Decrease in other non-current assets		3,502	159,564
Net cash flows used in investing activities		( 466,145 )	( 853,273 )
<u>Cash flows from financing activities</u>			
Decrease in short-term loans	VI (XXXIX)	( 525,977 )	( 1,465,601 )
Proceeds from long-term loans	VI (XXXIX)	358,588	-
Repayment of long-term loans	VI (XXXIX)	( 473,044 )	( 705,234 )
Cash dividend paid	VI (XXIV)(XXV)	( 704,591 )	-
Lease principal repayment	VI (XXXIX)	( 33,849 )	( 32,398 )
Receipt of government grants		20,561	273,802
Cash dividend distributed to non-controlling interests		( 712,623 )	( 104,586 )
Changes in non-controlling interests	VI (XXXVII)	( 2,968 )	-
Net cash flows from financing activities		( 2,073,903 )	( 2,034,017 )
Effect of exchange		( 78,847 )	86,719
(Decrease) increase in cash and cash equivalents		( 130,043 )	3,368,390
Cash and cash equivalents at beginning of year		6,568,066	3,199,676
Cash and cash equivalents at end of the year		<u>\$ 6,438,023</u>	<u>\$ 6,568,066</u>

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

Chief Director: Chang, Li-Chiu      Manager: CHEN, YI-JU      Accounting Supervisor: Lin, Hui-yen

## **Independent Auditors' Report**

(111) TSAI-SHEN-PAO-TZU No. 21004591

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

### **Opinion**

The independent auditors have audited the accompanying Parent Company Only balance sheets of Ho Tung Chemical Corp. (hereinafter referred to as "the Company") as of December 31, 2021 and 2020, and the related Parent Company Only balance sheet, and Parent Company Only statements of changes in equity and of cash flows for the years ended December 31, 2021 and 2020, and notes to the Parent Company Only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other independent auditors, as described in the Other matters section of our report, the Parent Company Only financial statements present fairly, in all material respects, the Parent Company Only financial position of Ho Tung Chemical Corp. as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021 and 2020, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Individual Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS) of the Republic of China. Our responsibilities under those standards are further described in the Independent Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of Ho Tung Chemical Corp. in accordance with The Norm of Professional Ethics for Certified Public Accountant in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### **Key Audit Matters**

Key Audit Matters refer to matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the Company for the year ended December 31, 2021. These matters were addressed in the context of our audit of



the Parent Company Only financial statements as a whole and, in forming our opinion thereon, we do not provide a Parent Company Only opinion on these matters.

Key audit matters for the parent company only financial statements of the Company for the year ended December 31, 2021 are stated as follows:

**The accurate timing of export revenue recognition**

Description

Please refer to Note IV (XXVIII) for details of the accounting policies of the recognition of operating revenue.

Ho Tung Chemical Corp. is primarily engaged in selling of chemical products and sales revenue mainly arises from exports. The products are delivered to purchasers when the control of the promised goods has been transferred to the purchaser and revenue is recognized when the control is transferred. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied. As transaction amount is enormous, revenue from sales of goods serves as the main indicator of determining whether the operating and financial goals and investors' expectations are met, and there might be inaccurate timing of revenue recognition shortly before or after the balances sheet date, the accurate timing of recognition of export revenue from is identified as a key audit matter.

How the matter was addressed in our audit

We performed the following key audit procedures for the above key audit matters:

1. Review terms on the sales contracts and orders, confirming revenue from sales is recognized in conformity with contract terms and other related transaction terms.
2. Analyze fluctuation in sales of all products, understanding the nature of significant changes in sales.
3. Sample and review revenues from exports in the appropriate period of time before or after the balance sheet date, including verification of the contents of transaction agreements, trade terms, and other related documents in order to confirm that these revenues were recognized at the appropriate date.

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

Refer to Note IV (XIII) for the accounting policies on investments using equity method; for details about the accounts, please refer to Note VI (VI) of the report.

Chenergy Co., Ltd (hereinafter referred to as “Chenergy”) is one of the subsidiaries held by Ho Tung Chemical Corp. Since the balance of investments using equity method on this subsidiary imposes significant influence on the financial statements of Ho Tung Corps., the key audit matters of Chenergy, including the oil spill pollution incident at port - set aside the provisions, are identified as the key audit matters of Ho Tung Chemical Corp. Details of these key audit matters are as follows:

#### Description

Chenergy had an oil spill pollution incident at West Seven Wharf of Taichung Port on October 24, 2013. Regarding the environmental restoration obligations and legal proceedings arising from the incident, the management has appointed a professional environmental engineering team and lawyers to evaluate, and the amount of impact may be significant. In addition, significant accounting judgments of the management must be involved when estimating provisions in accordance with IAS 37, and, therefore, we believe that Chenergy's provisions for this event is one of the most important matters in this year's audit.

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

The financial statements of Chenergy were audited by other independent accountants. Summary of how the accountants addressed the above key audit matter is provided below:

1. Interview the management of Chenergy to understand their assessment of the pending environmental restoration and litigation cases.
2. Obtain the management's self-assessment documents for environmental restoration and legal confirmation letters issued by external lawyers for the pending litigation cases.
3. Assess the appropriateness of the relevant provisions and disclosure of contingent liabilities.

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

We did not audit the financial statements of certain investees accounted for using equity method furnished to the Parent Company Only financial statements of Ho Tung Corp. The financial statements of these investees were audited by other independent accountants. Thus, opinions expressed herein, insofar as it relates to the amounts included in the Parent Company

Only financial statements and information disclosed in Note XIII relating to these investees, are based solely on the reports of other independent accountants. For the years ended December 31, 2021, and 2020, the total amount of investments accounted for using equity method recorded as assets were NT\$2,547,415 thousand and NT\$2,532,452 thousand, respectively, constituting 17.55% and 17.41% of the total assets, respectively; those recorded as liabilities were NT\$65,950 thousand and NT\$64,537 thousand, constituting 3.49% and 2.92% of total liabilities, respectively. As of December 31, 2021, and 2020, the comprehensive income recognized of these investees were NT\$65,204 thousand and NT\$(764,503) thousand, constituting 6.57% and (41.15%) of the total comprehensive income, respectively.

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

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

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the financial reporting process of Ho Tung Chemical Corp.

### **Responsibilities of Certified Public Accountants for Auditing Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Parent Company Only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could have influence on the economic decisions made by the users of the Parent Company Only financial statements, they will be deemed as material.

As part of an audit in accordance with GAAS of Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also execute the following tasks:

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

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

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

From the matters communicated with the governing body, we determined matters that were of most significance in the audit of the Parent Company Only financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Taiwan

LAI, TSUNG-HIS CPA

WANG, CHAO-MING

Former Securities and Futures Bureau, FSC,  
Executive Yuan  
Approval Certificate No.: CHIN-KUANCHENG-  
LIU-TZU No. 0960038033  
Former Securities Management Commission,  
Ministry of Finance  
Approval Certificate No.: (85)TAI-  
TSAICHENG(VI) No. 65945

March 16, 2022

[Attachment III]

Ho Tung Chemical Corp.  
Parent Company Only Balance Sheets  
December 31, 2021 and 2020

Unit: NT\$ thousands

	Asset	Notes	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
	<b>Current assets</b>					
1100	Cash and cash equivalents	VI (I)	\$ 1,178,076	8	\$ 2,401,201	16
1150	Notes receivable, net	VI (IV)	-	-	2,403	-
1170	Accounts receivable, net	VI (IV)	101,540	1	154,594	1
1180	Accounts receivable - related parties, net	VII	107,224	1	248,395	2
1200	Other receivables	VI (II)	4,570	-	9,001	-
1210	Other receivables - related parties	VII	7,933	-	5,291	-
130X	Inventories	VI (V)	253,417	2	129,524	1
1410	Prepayment		17,208	-	10,901	-
1470	Other current assets		23	-	35	-
11XX	<b>Total current assets</b>		<u>1,669,991</u>	<u>12</u>	<u>2,961,345</u>	<u>20</u>
	<b>Non-current assets</b>					
1517	Financial assets at fair value through profit or loss - non-current	VI (II) & VII	789,138	5	563,208	4
1535	Financial assets at amortized cost - non-current	VI (III) & VIII	102,057	1	22,029	-
1550	Investment accounted for using equity method	VI (VI) & VII	11,338,637	78	10,372,696	71
1600	Property, plant, and equipment	VI (VIII) & VIII	517,702	4	527,182	4
1755	Right-of-use assets		1,291	-	1,318	-
1760	Investment property, net	VI (IX)	10,681	-	10,915	-
1780	Intangible assets	VI (X)	4,142	-	4,456	-
1840	Deferred income tax assets	VI (XXV)	70,317	-	79,076	1
1900	Other non-current assets	VI (XIII)	7,504	-	5,933	-
15XX	<b>Total non-current assets</b>		<u>12,841,469</u>	<u>88</u>	<u>11,586,813</u>	<u>80</u>
1XXX	<b>Total assets</b>		<u>\$ 14,511,460</u>	<u>100</u>	<u>\$ 14,548,158</u>	<u>100</u>

(Continued)

[Attachment III]

Ho Tung Chemical Corp.  
Parent Company Only Balance Sheets  
December 31, 2021 and 2020

Unit: NT\$ thousands

Liabilities and equity		Notes	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
<b>Current liability</b>						
2100	Short-term loans	VI (XI)	\$ -	-	\$ -	-
2130	Contract liabilities- current	VI (XVIII)	756	-	36,704	-
2150	Notes payable		1,630	-	1,630	-
2170	Accounts payable		105,790	1	67,673	1
2180	Accounts payable - related parties	VII	83,858	1	183,754	1
2200	Other payables		83,966	1	95,053	1
2220	Other payables - related parties	VII	2,882	-	33,399	-
2230	Current income tax liabilities		40,132	-	-	-
2320	Long-term liabilities due within one year or one operating cycle	VI (XII) & VIII	330,000	2	198,000	1
2399	Other current liabilities — others	VII	49,180	-	49,997	-
21XX	<b>Total current liabilities</b>		<u>698,194</u>	<u>5</u>	<u>666,210</u>	<u>4</u>
<b>Non-current liabilities</b>						
2540	Long-term loans	VI (XII) & VIII	1,119,210	8	1,477,815	10
2570	Deferred income tax liabilities	VI (XXV)	3,362	-	3,009	-
2600	Other non-current liabilities	VI (VI)	67,264	-	65,333	1
25XX	<b>Total non-current liabilities</b>		<u>1,189,836</u>	<u>8</u>	<u>1,546,157</u>	<u>11</u>
2XXX	<b>Total liabilities</b>		<u>1,888,030</u>	<u>13</u>	<u>2,212,367</u>	<u>15</u>
<b>Equity</b>						
	Share capital	VI (XIV)				
3110	Share capital - common stock		10,168,248	70	10,168,248	70
	Capital surplus	VI (XV)				
3200	Capital surplus		57,093	-	50,541	-
	Retained earnings	VI (XVI)				
3310	Legal reserve		800,259	6	631,294	4
3320	Special reserve		504,761	4	396,773	3
3350	Unappropriated retained earnings		1,422,870	10	1,689,647	12
	Other equity interest	VI (XVII)				
3400	Other equity interest		( 233,850)	( 2)	( 504,761)	( 3)
3500	Treasury stocks	VI (VI)(XIV)	( 95,951)	( 1)	( 95,951)	( 1)
3XXX	<b>Total equity</b>		<u>12,623,430</u>	<u>87</u>	<u>12,335,791</u>	<u>85</u>
	Significant Contingent Liabilities and Unrecognized Contract Commitments	VI (XII), VII & IX				
	Significant events after the balance sheet date	XI				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 14,511,460</u>	<u>100</u>	<u>\$ 14,548,158</u>	<u>100</u>

The notes to the Parent Company Only financial statements are part of the Independent financial statements and should be read together.

Chief Director: Chang, Li-Chiu

Manager: CHEN, YI-JU

Accounting Supervisor: Lin, Hui-yen

[Attachment III]

Ho Tung Chemical Corp.  
Parent Company Only Statements of Comprehensive Income  
January 1 to December 31, 2021 and 2020

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

	Items	Notes	2021		2020	
			Amount	%	Amount	%
4000	Operating revenue	VI (XVIII) and VII	\$ 1,689,331	100	\$ 5,931,094	100
5000	Operating costs	VI (V)(XXIII)(XXIV) & VII	( 1,594,308)	( 94)	( 3,926,858)	( 66)
5900	Gross profit		95,023	6	2,004,236	34
5910	Unrealized profits on sales		( 52)	-	( 12,347)	-
5920	Realized profits on sales		12,347	1	11,514	-
5950	Gross profit from operations		107,318	7	2,003,403	34
	Operating expenses	VI (XXIII) (XXIV)				
6100	Selling expenses		( 96,452)	( 6)	( 164,287)	( 3)
6200	Administrative expenses		( 84,987)	( 5)	( 108,897)	( 2)
6450	Expected credit impairment loss		-	-	( 175,409)	( 3)
6000	Total operating expenses		( 181,439)	( 11)	( 448,593)	( 8)
6900	Operating (losses) profits		( 74,121)	( 4)	1,554,810	26
	Non-operating income and expenses					
7100	Interest income	VI (XIX)	2,549	-	17,738	-
7010	Other income	VI (XX) & VII	46,871	3	42,515	1
7020	Other gains and losses	VI (XXI)	( 50,242)	( 3)	( 119,685)	( 2)
7050	Finance costs	VI (XXII)	( 34,972)	( 2)	( 94,397)	( 1)
7070	Shares of profit (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	VI (VI)				
			882,060	52	307,156	5
7000	Total non-operating income and expenses		846,266	50	153,327	3
7900	<b>Pre-tax profit</b>		772,145	46	1,708,137	29
7950	Income tax expense	VI (XXV)	( 49,399)	( 3)	( 21,706)	( 1)
8000	<b>Net Income for continuing operations</b>		722,746	43	1,686,431	28
8200	<b>Net profit for the period</b>		\$ 722,746	43	\$ 1,686,431	28
	<b>Other comprehensive income - net Items that will not be reclassified to profit or loss</b>					
8311	Remeasurement of defined benefit plans	VI (XIII)	\$ 1,767	-	\$ 3,317	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	VI (II)(XVII)				
			226,625	13	82,630	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	VI (XVII)	125,544	8	88,377	2
8349	Income tax expenses related to items that will not be reclassified subsequently to profit or loss	VI (XXV)	( 238)	-	( 664)	-
8310	Total amount of items that will not be reclassified to profit or loss		353,698	21	173,660	3
	<b>Items that may be reclassified subsequently to profit or loss</b>					
8361	Exchange differences on translation of foreign financial statements	VI (XVII)	( 82,772)	( 5)	( 3,114)	-
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	VI (XVII)	( 808)	-	812	-
8360	Total amount of items that may be reclassified subsequently to profit or loss		( 83,580)	( 5)	( 2,302)	-
8500	<b>Total comprehensive income (loss) for the period</b>		\$ 992,864	59	\$ 1,857,789	31
	Earnings per share	VI (XXVI)				
9750	Basic earnings per share		\$ 0.72		\$ 1.68	
9850	Diluted earnings per share		\$ 0.72		\$ 1.68	

The notes to the Parent Company Only financial statements are part of the Independent financial statements and should be read together.

Chief Director: Chang, Li-Chiu

Manager: CHEN, YI-JU

Accounting Supervisor: Lin, Hui-yen

Ho Tung Chemical Corp.



[Attachment III]

Parent Company Only Statements of Changes in Equity  
January 1 to December 31, 2021 and 2020

Unit: NT\$ thousands

	Notes	Share capital - common stock	Capital surplus	Retained earnings			Other equity interest		Treasury stocks	Total
				Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains or losses on financial assets at fair value through other comprehensive income		
2020										
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
Net profit for the period		-	-	-	-	1,686,431	-	-	-	1,686,431
Other comprehensive income VI (XVII) (loss) for the year		-	-	-	-	3,409	( 2,302 )	170,251	-	171,358
Total comprehensive income (loss) for the period		-	-	-	-	1,689,840	( 2,302 )	170,251	-	1,857,789
Appropriation & distribution VI (XVI) of 2019 earnings										
Legal reserve		-	-	1,782	-	( 1,782 )	-	-	-	-
Special reserve		-	-	-	112,639	( 112,639 )	-	-	-	-
Change in ownership of equity in subsidiary		-	-	-	-	( 193 )	-	-	-	( 193 )
Balance at December 31, 2020		\$ 10,168,248	\$ 50,541	\$ 631,294	\$ 396,773	\$ 1,689,647	(\$ 435,834 )	(\$ 68,927 )	(\$ 95,951 )	\$ 12,335,791
2021										
Balance at January 1, 2021		\$ 10,168,248	\$ 50,541	\$ 631,294	\$ 396,773	\$ 1,689,647	(\$ 435,834 )	(\$ 68,927 )	(\$ 95,951 )	\$ 12,335,791
Net profit for the period		-	-	-	-	722,746	-	-	-	722,746
Other comprehensive income VI (XVII) (loss) for the year		-	-	-	-	953	( 83,580 )	352,745	-	270,118
Total comprehensive income (loss) for the period		-	-	-	-	723,699	( 83,580 )	352,745	-	992,864
Appropriation & distribution VI (XVI) of 2020 earnings										
Legal reserve		-	-	168,965	-	( 168,965 )	-	-	-	-
Special reserve		-	-	-	107,988	( 107,988 )	-	-	-	-
Cash dividend		-	-	-	-	( 711,777 )	-	-	-	( 711,777 )
Disposal of equity instruments measured at fair value through other comprehensive income		-	-	-	-	( 1,746 )	-	1,746	-	-
Cash dividend of parent company distributed to subsidiaries VI (XV)		-	7,186	-	-	-	-	-	-	7,186
Change in ownership of equity in subsidiary VI (XV)(XXVII)		-	( 634 )	-	-	-	-	-	-	( 634 )
Balance at December 31, 2021		\$ 10,168,248	\$ 57,093	\$ 800,259	\$ 504,761	\$ 1,422,870	(\$ 519,414 )	\$ 285,564	(\$ 95,951 )	\$ 12,623,430

The notes to the Parent Company Only financial statements are part of the Independent financial statements and should be read together.

Chief Director: Chang, Li-Chiu

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, 2021 and 2020

Unit: NT\$ thousands

	Notes	For the year ended December 31, 2021	For the year ended December 31, 2020
<u>Cash flows from operating activities</u>			
Profit before tax for the period		\$ 772,145	\$ 1,708,137
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)(IX)(XXIII)	48,531	50,770
Expected credit impairment loss	XII (III)	-	175,409
Amortization	VI (X)(XXIII)	462	11,034
Impairment loss	VI (VIII)(XXI)	-	80,937
Interest expense	VI (XXII)	34,972	94,397
Interest income	VI (XIX)	( 2,549 )	( 17,738 )
Dividend income	VI (XX)	( 36,332 )	( 16,699 )
Shares of profit (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	VI (VI)		
Gain on lease modification	VI (XXI)	( 882,060 )	( 307,156 )
Gain on disposal of property, plant, and equipment	VI (XXI)	( 7 )	-
Past due accounts payable reclassified to other income	VI (XX)	( 2,033 )	-
Loss on disposal of investments accounted for using equity method	VI (VI)(XXI)	-	( 10,910 )
Unrealized profits on sales		17,061	-
Realized profits on sales		52	12,347
Changes in assets/liabilities relating to operating activities		( 12,347 )	( 11,514 )
Net changes in operating assets			
Financial assets at fair value through profit or loss		-	1,373
Notes receivable		2,403	6,904
Accounts receivable		53,054	15,256
Accounts receivable - related parties		141,171	393,961
Other receivables		4,105	76,085
Other receivables - related parties		( 2,642 )	11,866
Inventories		( 123,893 )	1,203,555
Prepayment		( 6,307 )	( 3,469 )
Other current assets		12	140
Net changes in liabilities relating to operating activities			
Contract liabilities- current		( 35,948 )	36,287
Notes payable		-	67
Accounts payable		38,117	( 154,298 )
Accounts payable - related parties		( 99,896 )	( 129,314 )
Other payables		( 12,202 )	( 65,331 )
Other payables - related parties		2,882	( 2 )
Other current liabilities		( 817 )	( 2,871 )
Other non-current liabilities		517	( 899 )
Cash (outflow) inflow generated from operations		( 101,549 )	3,156,951
Interest received		2,549	17,738
Dividend received		36,332	16,699
Income tax refunded (paid)		152	( 49,603 )
Interest paid		( 35,007 )	( 95,873 )
Cash inflow (outflow) from operating activities, net		( 97,523 )	3,045,912

(Continued)

Ho Tung Chemical Corp.  
Parent Company Only Statements of Cash Flows  
January 1 to December 31, 2021 and 2020

Unit: NT\$ thousands

	Notes	For the year ended December 31, 2021	For the year ended December 31, 2020
<u>Cash flows from investing activities</u>			
Capital reduction and return stock of financial assets measured at FVTOCI	VI (II)	\$ 361	\$ -
Increase in financial assets at amortized cost		( 80,028 )	( 2,506 )
Acquisition of right-of-use assets		-	( 1,345 )
Acquisition of investments accounted for under equity method - subsidiaries	VI (VI)	( 93,101 )	( 300,000 )
Disposal of investments accounted for using equity method - subsidiaries	VI (VI)	21,274	-
Acquisition of property, plant, and equipment	VI (XXVIII)	( 36,363 )	( 34,430 )
Disposal of property, plant, and equipment		2,081	-
Acquisition of intangible assets	VI (X)	-	( 4,493 )
Decrease in other non-current assets		196	129,731
Net cash flows used in investing activities		( 185,580 )	( 213,043 )
<u>Cash flows from financing activities</u>			
Decrease in short-term loans		-	( 270,094 )
Lease principal repayment		( 245 )	-
Prepayment of long-term loans		( 228,000 )	( 635,348 )
Cash dividend paid	VI (XVI)	( 711,777 )	-
Net cash flows used in financing activities		( 940,022 )	( 905,442 )
(Decrease) increase in cash and cash equivalents		( 1,223,125 )	1,927,427
Cash and cash equivalents at beginning of year		2,401,201	473,774
Cash and cash equivalents at end of the year		<u>\$ 1,178,076</u>	<u>\$ 2,401,201</u>

Chief Director: Chang, Li-Chiu

Manager: CHEN, YI-JU

Accounting Supervisor: Lin, Hui-yen

# Ho Tung Chemical Corp. Earnings Distribution Table 2021

Unit: NT\$

Item	Amount
Opening Balance	700,920,000
Add: Net profit after tax for the period	722,745,602
Add: Adjustment to retained earnings for the period	952,472
Less: Disposal of equity instrument measured at fair value through other comprehensive income	(1,746,901)
Less: Provision of 10% legal reserve	(72,195,117)
Add: Special reserve reversed	270,911,914
Distributable earnings	1,621,587,970
Distribution item:	
Shareholder dividend (cash dividend of \$0.42/share)	(427,066,419)
Total	(427,066,419)
Undistributed earnings at the end of the period	1,194,521,551

Directors' remuneration (up to 3%)

TWD7,879,027

Employee remuneration (not less than 1%)

TWD7,879,027

The amount of cash dividends distributed for the current year is

TWD427,066,419, which will be distributed preferentially from the 2021 earnings.

Chairman: Li-Chiou Chang    Manager: Yi-Ju Chen    Accounting Supervisor: Hui-Yen Lin

## Ho Tung Chemical Corp.

## Table of Amendments to Regulations Governing the Acquisition and Disposal of Assets

Article	Amended Article	Original Article	Explanation
Chapter II.	VIII. The term "within one year" used in the Procedures herein refers to the year preceding the date of acquisition or disposal of assets.	VIII. The term "within one year" used in the Procedures herein refers to the year preceding the date of acquisition or disposal of assets. Items that have already been disclosed need not be counted toward the transaction amount.	Amended by the Financial Supervisory Commission Letter No. Jin-Guan-Zheng-Fa-Tze-1110380465 on Jan. 28, 2022. The disclosed items exempted from inclusion in the calculation have been stipulated in paragraph 3 of Article 7, so the duplicate provisions are deleted.
Chapter III.	V. The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a CPA, for reference in appraising the transaction price. If any of the following circumstances occur and the transaction amount reaches 20% of the Company's paid-in capital or more than NT\$300 million, the Company shall engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC): <ol style="list-style-type: none"> <li>1. Acquisition or disposal of securities that are not traded on the stock exchange or the TPEX.</li> <li>2. Acquisition or disposal of the private placement of securities.</li> <li>3. Acquisition or disposal of intangible assets or right-of-use assets thereof or memberships except in transactions with a domestic government agency.</li> </ol>	V. The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a CPA, for reference in appraising the transaction price. If any of the following circumstances occur and the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the company shall engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to adopt an expert report, it should be handled following the provisions of Statement of Auditing Standards No. 20 issued by the Accounting Research and Development Foundation (hereinafter referred to as ARDF). This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC): <ol style="list-style-type: none"> <li>1. Acquisition or disposal of securities that are not traded on the stock exchange or the TPEX.</li> <li>2. Acquisition or disposal of the private placement of securities.</li> <li>3. Acquisition or disposal of intangible assets or right-of-use assets thereof or memberships except in transactions with a domestic government agency.</li> </ol>	Amended by the Financial Supervisory Commission Letter No. Jin-Guan-Zheng-Fa-Tze-1110380465 on Jan. 28, 2022.
Chapter IV.	I. Where the Company acquires or disposes of assets, except for the securities traded on a centralized market or the TPEX with the evidentiary documentation in place of an appraisal report or CPA's opinion, those who reach a threshold requiring a public	I. Where the Company acquires or disposes of assets, except for the securities traded on a centralized market or the TPEX with the evidentiary documentation in place of an appraisal report or CPA's opinion, those who reach a threshold requiring a	Amended by the Financial Supervisory Commission Letter No. Jin-Guan-Zheng-Fa-Tze-1110380465 on Jan. 28, 2022.

Article	Amended Article	Original Article	Explanation
	announcement set out in Article 7 of the Procedures should be approved by the Board of Directors, and then submitted to the shareholders' meeting for approval. However, this restriction does not apply to transactions between the Company and its parent company or subsidiaries or between its subsidiaries. If it falls under Article 185 of the Company Act, it shall first be submitted to the shareholders' meeting for a special resolution.	public announcement set out in Article 7 of the Procedures should obtain the Board of Directors' approval in advance. If it falls under Article 185 of the Company Act, it shall first be submitted to the shareholders' meeting for approval.	
Chapter VI.	<p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <p>I. May not have previously received a final and unappealable sentence to imprisonment for one year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime.</p> <p>However, this provision does not apply if three years have already passed since the completion of service of the sentence, since the expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>II. May not be a related party or de facto related party of any party to the transaction.</p> <p>III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties to each other.</p> <p>When issuing an appraisal report or opinion, the person referred to in the preceding paragraph shall comply with the self-regulatory rules of the industry associations to which they belong and with the following provisions:</p> <p>I. Prior to accepting a case, they shall prudently assess their professional capabilities, practical experience, and independence.</p> <p>II. When conducting a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in</p>	<p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <p>I. May not have previously received a final and unappealable sentence to imprisonment for one year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime.</p> <p>However, this provision does not apply if three years have already passed since the completion of service of the sentence, since the expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>II. May not be a related party or de facto related party of any party to the transaction.</p> <p>III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties to each other.</p> <p>When issuing an appraisal report or opinion, the person referred to in the preceding paragraph shall comply with the following provisions:</p> <p>I. Prior to accepting a case, they shall prudently assess their professional capabilities, practical experience, and independence.</p> <p>II. When auditing a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in</p>	Amended by the Financial Supervisory Commission Letter No. Jin-Guan-Zheng-Fa-Tze-1110380465 on Jan. 28, 2022.

Article	Amended Article	Original Article	Explanation
	<p>the case working papers.</p> <p>III. They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>IV. They shall issue a statement attesting to the professional competence and independence of the person who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable and that they have complied with applicable laws and regulations.</p>	<p>the case working papers.</p> <p>III. They shall undertake an item-by-item evaluation of the completeness, correctness, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>IV. They shall issue a statement attesting to the professional competence and independence of the person who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and correct and that they have complied with applicable laws and regulations.</p>	
Chapter VII.	<p>I. Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information to the information declaration website in the appropriate format as prescribed by regulations within two days counting inclusively from the date of occurrence of the event:</p> <p>(I) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more. Provided, this shall not apply to the trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(II) Merger, demerger, acquisition, or transfer of shares.</p> <p>(III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</p> <p>(IV) Where equipment or right-of-use assets thereof for business use are acquired or disposed of and the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <p>1. The Company's paid-in capital is less than NT\$10 billion, and the transaction</p>	<p>I. Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information to the information declaration website in the appropriate format as prescribed by regulations within two days counting inclusively from the date of occurrence of the event:</p> <p>(I) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more. Provided, this shall not apply to the trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(II) Merger, demerger, acquisition, or transfer of shares.</p> <p>(III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</p> <p>(IV) Where equipment or right-of-use assets thereof for business use are acquired or disposed of and the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <p>1. The Company's paid-in capital is less than NT\$10 billion, and the transaction</p>	Amended by the Financial Supervisory Commission Letter No. Jin-Guan-Zheng-Fa-Tze-1110380465 on Jan. 28, 2022.

Article	Amended Article	Original Article	Explanation
	<p>amount reaches NT\$500 million or more.</p> <p>2. The Company's paid-in capital is NT\$10 billion or more, and the transaction amount reaches NT\$1 billion or more.</p> <p>(V) Where land is acquired under an arrangement of engaging others to build on the company's land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction, and allocation of ownership percentages, or joint construction and separate sale, the transaction counterparty is not a related party, and the estimated transaction amount invested by the company is less than NT \$500 million.</p> <p>(VI) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, disposal of receivables by a financial institution, or an investment in the mainland China area reaches more than 20% of the company's paid-in capital or NT\$300 million. Provided, this shall not apply to the following circumstances:</p> <ol style="list-style-type: none"> <li>1. Trading of domestic government bonds or foreign government bonds not lower than the sovereign rating of Taiwan.</li> <li>2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</li> </ol>	<p>amount reaches NT\$500 million or more.</p> <p>2. The Company's paid-in capital is NT\$10 billion or more, and the transaction amount reaches NT\$1 billion or more.</p> <p>(V) Where land is acquired under an arrangement of engaging others to build on the company's land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction, and allocation of ownership percentages, or joint construction and separate sale, the transaction counterparty is not a related party, and the estimated transaction amount invested by the company is less than NT \$500 million.</p> <p>(VI) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, disposal of receivables by a financial institution, or an investment in the mainland China area reaches more than 20% of the company's paid-in capital or NT\$300 million. Provided, this shall not apply to the following circumstances:</p> <ol style="list-style-type: none"> <li>1. Trading of domestic government bonds.</li> <li>2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</li> </ol>	
Chapter VIII.	<p>II. When a company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party, and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all members of the Audit Committee, and then resolved by the Board of Directors:</p> <p>(I) The purpose, necessity, and anticipated</p>	<p>II. When a company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party, and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all members of the Audit Committee, and then resolved by the Board of Directors:</p> <p>(I) The purpose, necessity, and anticipated</p>	Amended by the Financial Supervisory Commission Letter No. Jin-Guan-Zheng-Fa-Tze-1110380465 on Jan. 28, 2022.



Article	Amended Article	Original Article	Explanation
	<p>benefit of the acquisition or disposal of assets.</p> <p>(II) The reason for choosing a related party as a transaction counterparty.</p> <p>(III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the predetermined transaction terms in accordance with paragraphs 3 and 4 of this Article.</p> <p>(IV) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</p> <p>(V) Monthly cash flow forecasts for the year commencing from the anticipated month of the signing of the contract, an evaluation of the necessity of the transaction, and the reasonableness of the fund's utilization.</p> <p>(VI) An appraisal report from a professional appraiser or a CPA's opinion is obtained in compliance with paragraph 1 of this Article.</p> <p>(VII) Restrictive conditions and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 7, paragraph 2 herein, and "within one year" as used herein refers to the year preceding the date of occurrence of the current transaction. Following the Procedures, items that have been approved by more than half of all members of the Audit Committee and submitted to the Board of Directors and shareholders' meeting need not be counted toward the transaction amount.</p> <p>With respect to the types of transactions listed below, when to be conducted between the company, its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the company's Board of Directors may delegate the Chairman to determine such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:</p> <p>(I) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p>(II) Acquisition or disposal of real property right-of-use assets held for business use.</p> <p>Where the position of independent director has been created in accordance with the regulations, when a matter is submitted for discussion by the Board of Directors pursuant to paragraph 1, the Board of Directors shall take into full consideration each independent director's</p>	<p>benefit of the acquisition or disposal of assets.</p> <p>(II) The reason for choosing a related party as a transaction counterparty.</p> <p>(III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the predetermined transaction terms in accordance with paragraphs 3 and 4 of this Article.</p> <p>(IV) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</p> <p>(V) Monthly cash flow forecasts for the year commencing from the anticipated month of the signing of the contract, an evaluation of the necessity of the transaction, and the reasonableness of the fund's utilization.</p> <p>(VI) An appraisal report from a professional appraiser or a CPA's opinion is obtained in compliance with paragraph 1 of this Article.</p> <p>(VII) Restrictive conditions and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 7, paragraph 2 herein, and "within one year" as used herein refers to the year preceding the date of occurrence of the current transaction. Following the Procedures, items that have been approved by more than half of all members of the Audit Committee and submitted to the Board of Directors and shareholders' meeting need not be counted toward the transaction amount.</p> <p>With respect to the types of transactions listed below, when to be conducted between the company, its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the company's Board of Directors may delegate the Chairman to determine such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:</p> <p>(I) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p>(II) Acquisition or disposal of real property right-of-use assets held for business use.</p> <p>Where the position of independent director has been created in accordance with the regulations, when a matter is submitted for discussion by the Board of Directors pursuant to paragraph 1, the Board of Directors shall take into full consideration each independent director's</p>	

Article	Amended Article	Original Article	Explanation
	<p>opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</p> <p><u>Where the Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in Article 8, paragraph 1, and the transaction amount will reach 10% or more of the public company's total assets, the public company shall submit the materials in all the subparagraphs of Article 8, paragraph 1 to the shareholders' meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the public company and its parent company or subsidiaries or between its subsidiaries. The calculation of the aforementioned transaction amounts shall be made in accordance with Article 7, paragraph 2 herein, and "within one year" as used herein refers to the year preceding the date of occurrence of the current transaction. Following the Procedures, items that have been approved by the shareholders' meeting or Board of Directors and recognized by the Audit Committee need not be counted toward the transaction amount.</u></p>	<p>opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</p>	
Chapter X	<u>Chapter X. Engaging in Derivatives Trading</u>	Chapter X. Engaging in Derivatives Trading	Amendment to the text of Article No.
Chapter XI	<u>Chapter XI. Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares</u>	Chapter XI. Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares	Amendment to the text of Article No.
Chapter XII	<u>Chapter XII. Appraisal Reports on Acquisition or Disposal of Real Property or Equipment:</u>	Chapter XII. Appraisal Reports on Acquisition or Disposal of Real Property or Equipment:	Amendment to the text of Article No.
Chapter XIII	<u>Chapter XIII. Other Matters</u>	Chapter XIII. Other Matters	Amendment to the text of Article No.
Chapter XIV	<p><u>Chapter XIV. The Procedures have been approved by more than half of all members of the Audit Committee, implemented after the resolution of the Board of Directors, and then submitted to the shareholders' meeting for approval. The same shall apply to the amendment. If any director expresses dissent and it is contained in the minutes or a written statement, the director's dissenting opinion shall be submitted to the Audit Committee.</u></p> <p>Where the position of independent director has been created in accordance with the regulations, when a matter is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent</p>	<p>Chapter XIV. The Procedures have been approved by more than half of all members of the Audit Committee, implemented after the resolution of the Board of Directors, and then submitted to the shareholders' meeting for approval. The same shall apply to the amendment. If any director expresses dissent and it is contained in the minutes or a written statement, the director's dissenting opinion shall be submitted to the Audit Committee.</p> <p>Where the position of independent director has been created in accordance with the regulations, when a matter is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of</p>	<p>I. Amendment to the text of Article No.</p> <p>II. Paragraph 6 is added to explain the effective date of the amendment to the Procedures.</p>

Article	Amended Article	Original Article	Explanation
	<p>director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</p> <p>If approval of one-half or more of all Audit Committee members as required in paragraph 1 is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</p> <p>The terms "all Audit Committee members" in the Procedures and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p> <p>Amended on Mar. 28, 2019. Amended on Jun. 23, 2022.</p>	<p>Directors meeting.</p> <p>If approval of one-half or more of all Audit Committee members as required in paragraph 1 is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</p> <p>The terms "all Audit Committee members" in the Procedures and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p> <p>Amended on Mar. 28, 2019.</p>	

**Ho Tung Chemical Corp.**

**Rules of Procedure for Shareholders' Meetings (before the Amendment)**

Amended on August 5, 2021

Article 1 To establish a strong governance system of the Company's shareholders' meetings, improve supervisory function and strengthen management capability, the Rules are stipulated pursuant to Article 6 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies for compliance.

Article 2 Unless otherwise stipulated by laws or regulations, the Company's Articles of Incorporation, the Company's Rules of Procedure for Shareholders' Meetings shall be governed by the Rules.

Article 3 Unless otherwise stipulated by laws, the Company's shareholders' meeting shall be convened by the Board of Directors. A notice to convene an annual shareholders' meeting shall be given to each shareholder no later than 30 days prior to the scheduled meeting date; for shareholders holding less than 1,000 registered shares, a public announcement may be served by entering information into the Market Observation Post System (MOPS) no later than 30 days before the scheduled meeting date. In case of convening a special shareholders' meeting, a notice shall be given to each shareholder no later than 15 days prior to the scheduled meeting date; for shareholders holding less than 1,000 registered shares, a public announcement may be served by entering information into the MOPS no later than 15 days before the scheduled meeting date.

Election or dismissal of directors, 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 Company, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, 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.

Re-election of directors and their appointment date shall be set out in the causes or subjects of a shareholders' meeting to be convened. After the re-election of the shareholders' meeting is completed, the appointment date shall not be

changed by an extempore motion or other means at 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 power authorized to the proxy.

A shareholder may only execute one power of attorney and appoint one proxy only and shall serve such a written proxy to the Company no later than five days prior to the shareholders' meeting date. In case two or more written proxies are received from one shareholder, the first one received by the Company shall prevail. Unless an explicit statement to revoke the previously written proxy is made in the proxy, which comes later.

After the service of the power of attorney of a proxy to the Company, in case the

shareholder issuing the said proxy intends to attend the shareholders' meeting in person or to exercise the voting power in writing or by way of electronic transmission, a proxy rescission notice shall be filed with the Company two days prior to the date of the shareholders' meeting to rescind the proxy at issue, otherwise, the voting power exercised by the authorized proxy at the meeting shall prevail.

Article 5 The venue at which a shareholders' meeting is convened shall be the location of the Company or a place convenient to all directors and suitable for holding such a meeting. The meeting shall not start earlier than 9:00 a.m. or later than 3:00 p.m. Full consideration shall be given to the independent directors' opinions regarding the meeting time and location.

Article 6 In the Shareholders' Meeting Notice, the Company shall specify the time and location for accepting shareholders' registration and other issues 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 as shareholders) shall attend shareholders' meetings with attendance cards, sign-in cards, or other certificates of attendance. Solicitors of solicited proxies shall also bring identification documents for verification.

The Company shall furnish the attending shareholders with an attendance book to sign in, 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 chairperson of the Board is on leave or for any reason is unable to exercise the powers of the chairperson, the vice-chairperson shall do so in place of the chairperson, or, if there is no vice-chairperson or the vice-chairperson also is on leave or for any reason is unable to act, by a managing director designated by the chairman, or, if there is no managing director, by a director designated thereby, or, if the chairperson does not make such a designation, by a managing director or director elected by and from among themselves.

The acting chairperson referred to in the preceding paragraph shall be a managing director or a director who has held that position for six months or more and understands the Company's financial and business conditions. The same applies if the chairperson is a representative of a juristic person director. It is advisable that shareholders' meetings convened by the Board of Directors be attended by a majority of the directors.

If a shareholders' meeting is convened by any other person having the convening right other than the Board of Directors, he/she shall act as the chairperson of that meeting provided, however, that if there are two or more persons having the convening right, the chairperson of the meeting shall be elected from among themselves.

The Company may designate appointed attorneys, CPAs, or related persons to attend a shareholders' meeting as nonvoting participants.

Article 8 The Company shall make an uninterrupted audio and video recording of the entire process of shareholders' registration, meeting, and vote counting from the time of acceptance of shareholders' registration.

The audio and video recordings mentioned in the preceding paragraph shall be retained for at least one year. However, if a shareholder files a lawsuit pursuant to 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 the number of shares. The number of shares attended shall be calculated according to the attendance book or sign-in cards submitted, plus the number of shares exercising the voting rights in writing or electronic transmission.

The chairperson shall call the meeting to order at the appointed meeting time and disclose information concerning the number of nonvoting shares and number of shares represented by shareholders attending the meeting. However, if no shareholders representing a majority of the total number of issued shares are present, the chairperson may announce a postponement of the meeting time, provided that only two postponements may be made, for a total of not more

than one hour. If the quorum is still not met after two postponements and there are not enough shareholders present representing more than one-third of the total number of issued shares, the chairperson shall declare the meeting to be aborted.

If the quorum is still not met after two postponements as referred to in the preceding paragraph, but the shareholders representing more than one-third of the total number of issued shares are present, a tentative resolution may be adopted under Article 175, Paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution, and another shareholders' meeting shall be convened within one month.

Prior to the end of the current meeting, if the attending shareholders represent a majority of the total number of issued shares, the chairperson may resubmit the tentative resolution made to the shareholders' meeting for voting according to Article 175, Paragraph 1 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. All relevant motions (including extempore motions and amendments to the original motion) shall be voted on a case by case basis. The meeting shall proceed following the scheduled agenda and not be changed without a resolution of the shareholders' meeting.

If a shareholders' meeting is convened by any other person having the convening right other than the Board of Directors, the provisions of the preceding paragraph shall apply *mutatis mutandis*.

The chairperson may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda as set out in the preceding two paragraphs (including extempore motions) without a resolution. If the chairperson violates the rules of procedure and declares the meeting adjourned, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chairperson in accordance with statutory procedures by a majority agreement of the votes represented by the attending shareholders, and then continue the meeting.

The chairman shall give full explanations and opportunities to discuss proposals and amendments or extempore motions put forward by the shareholders. When the chair believes that a matter has been sufficiently discussed to a degree of putting to a vote, the chair may announce the discussion closed, put it to vote, and arrange an adequate voting time.

**Article 11** Before speaking, the attending shareholders must first fill out the speaker's slip indicating the speech subject, the shareholder account number (or attendance card number), and account name. The chairperson shall determine the order of their speech.

A shareholder who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. If the content of the speech does not

match the subject given on the speaker's slip, the speech content shall prevail. Except with the chairperson's consent, a shareholder may not speak more than twice for the same proposal, and a single speech may not exceed five minutes. However, if the shareholder's speech violates the rules or exceeds the agenda scope, the chairperson may stop him from speaking.

When an attending shareholder is speaking, other shareholders shall not interfere with the speech except with the consent of the chairman and the speaking shareholder. In case of violation, the chairperson shall stop it.

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

The shares held by shareholders having no voting right shall not be counted in the total number of issued shares while adopting a resolution at a meeting of shareholders.

A shareholder who has a personal interest in the matter under discussion at a meeting, which may impair the interest of the company, shall not vote nor exercise the voting right on behalf of another shareholder.

Shares for which voting right cannot be exercised in the preceding paragraph shall not be counted in the number of votes of shareholders present at the meeting.

Except for trust enterprises or stock agencies approved by the competent authority, when a person acts as the proxy for two or more shareholders, the number of the voting power represented by him/her shall not exceed 3% of the total number of voting shares of the company, otherwise, the portion of excessive voting power shall not be counted.

Article 13 A shareholder shall have one voting power in respect of each share in possession unless those with restricted or no voting rights.

When convening a shareholders' meeting, the Company shall adopt electronic means and may exercise its voting rights in writing. When it exercises its voting rights in writing or electronically, the exercise method shall be specified in the shareholders' meeting notice.

A shareholder who exercises the voting power in writing or electronic transmission shall be deemed to have attended the said shareholders' meeting in person.

However, it shall be deemed to have waived the voting power with respect to any extemporary motion(s) and the amendment(s) to the original proposal(s) at the said shareholders' meeting.

Where a shareholder elects to exercise the voting power in writing or by way of electronic transmission in the preceding paragraph, the declaration of intention shall be served to the company two days before the scheduled meeting date of the shareholders' meeting. If two or more declarations of the same intention are served to the company, the first declaration of such



intention received shall prevail.

Unless an explicit statement to revoke the previous declaration is made in the declaration, which comes later.

In case a shareholder who has exercised the voting power in writing or by way of electronic transmission intends to attend the shareholders' meeting in person, the shareholder shall, at least two days before the scheduled shareholders' meeting date and in the same manner previously used in exercising the voting power, serve a separate declaration of intention to rescind the previous declaration of intention made in exercising the voting power in the preceding paragraph. In the absence of a timely rescission of the previous declaration of intention, the voting power exercised in writing or by way of electronic transmission shall prevail.

In case a shareholder has exercised the voting power in writing or by way of electronic transmission and has also authorized a proxy to attend the shareholders' meeting on his/her/its behalf, then the voting power exercised by the authorized proxy for the said shareholder shall prevail.

Unless otherwise specified in the Company Act and the Company's Articles of Incorporation, the voting on the resolution shall be approved by a majority agreement of the votes represented by the attending shareholders.

At the time of a vote, shareholders shall vote on a case-by-case basis after the chairman or a person designated by the chairperson announces the total number of voting rights represented by the attending shareholders for each proposal. The results of shareholders' consent, objection, and abstention shall be entered into the MOPS on the day after the shareholders' meeting is held.

In the case of an amendment or substitute to the same motion, the chairperson shall determine the order of voting with the original proposal. However, if one of the motions has been approved, the others shall be deemed overruled, and no further vote is required.

Scrutineers and vote counting personnel for the voting on a motion shall be appointed by the chairperson, provided that all scrutineers shall be shareholders of the Company. Vote counting shall be conducted publicly at the shareholders' meeting venue. The result of a vote shall be made known immediately and recorded in writing.

Vote counting for shareholders' meeting motions or elections shall be conducted publicly at the shareholders' meeting venue. Immediately after vote counting has been completed, the voting results, including the statistical tallies of the numbers of votes, shall be announced on the spot and recorded in writing.

Article 14 When there is a director election in the shareholders' meeting, it shall be conducted in accordance with the relevant election rules set by the Company. The election results shall be announced on the spot, including the names of those elected as Directors and the numbers of votes with which they were

elected, and the names of Directors not elected and number of votes they received.

The ballots for the election matters referred to in the preceding paragraph shall be sealed and signed by the scrutineers and kept properly for at least one year. However, if a shareholder files a lawsuit pursuant to 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 meeting minutes may be produced and distributed by electronic means.

For the distribution of the meeting minutes in the preceding paragraph, the Company may input the minutes on the MOPS as the public announcement. The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chairperson's name, the resolution method, and a summary of the essential points of the proceedings and the results of the meeting. (including the statistical tallies of the numbers of votes). In the event of director election, the number of votes received by each candidate shall be disclosed. The minutes shall be kept persistently throughout the life of the Company.

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

Article 16 On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies and shall make an express disclosure in the shareholders' meeting venue.

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

Article 17 Personnel who handle administrative affairs at a shareholders' meeting shall wear identification cards or armbands.

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 or identification cards with the word "Picket" when maintaining order at the meeting venue.

At the venue equipped with public address equipment, if a shareholder attempts to speak through any device other than the equipment set by the

Company, the chairperson may stop the shareholder from doing so.

If the shareholder violates the rules of procedures and defies the chairperson's instruction, obstructs the proceedings, and fails to comply after being stopped, the chairperson may direct the pickets or security personnel to escort the shareholder out of the venue.

Article 18 When a meeting is in progress, the chairperson may announce a recess at his discretion. In the event of force majeure, the chairperson may rule to temporarily suspend the meeting and announce the time for resuming the meeting given the circumstances.

Before the conclusion of the agenda (including extempore motions) set by the shareholders' meeting, if the meeting venue is no longer available for continued use at that time, the shareholders' meeting may resolve to find another venue to continue the meeting.

The shareholders' meeting may resolve to postpone or reconvene the meeting within five days under Article 182 of the Company Act.

Article 19 After an attending shareholder has spoken, the chairperson may respond in person or direct relevant personnel to respond.

Article 20 When the government or a juristic person is a shareholder, its proxy to attend the shareholders' meeting shall not be limited to one person. When a juristic person is delegated to attend the shareholders' meeting, only one person may be appointed as a proxy. When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one proxy may speak on the same motion.

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

## **Articles of Incorporation of Ho Tung Chemical Corp.**

### **Chapter I General Provisions**

Article 1 The Company is named Ho Tung Chemical Corp. in accordance with the provisions of the company limited by shares of the Company Act.

Article 2 The business operations of the Company are as follows:

C801020 Petrochemical Materials Manufacturing

C803990 Other Petroleum and Charcoal Manufacturing

C802090 Manufacture of Cleaning Preparations

F107990 Wholesale of Other Chemical Products

F112040 Wholesale of Petroleum Products

F107030 Wholesale of Cleaning Preparations

F401010 International Trade

ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3 The Company may make external endorsements and guarantees for business needs and shall handle them according to the "Guidelines for Handling of Endorsements/Guarantees made by TWSE/TPEX Listed Companies" set forth by the competent authority.

Article 3-1 The Company's reinvestment shall be conducted in accordance with the Board resolutions and shall not be applicable to the provisions of Article 13 of the Company Act which the total investment amount shall not exceed 40% of the paid-in capital.

Article 4 The Company's headquarters is located in Kaohsiung City. If necessary, it may establish branches at home and abroad by the Board's resolution under the law.

Article 5 (Deleted)

### **Chapter II Shares**

Article 6 The Company's total capital is NT\$11 billion, which is divided into 1.1 billion shares at NT\$10 per share. The Board of Directors is authorized to issue the unissued shares in installments according to the needs of the Company's operations.

Article 7 The Company is a public offering company. After registering with the centralized securities depository enterprise, the Company is exempted from printing any share certificate.

Article 7-1 (Deleted)

Article 8 Shareholders should submit their factual name and address, and also fill in a specimen chop to the Company for the record. In case of loss or replacement of the seal, they shall report the loss or replacement to this corporation in writing and handle it in accordance with the "guidelines for the handling of stock affairs of public companies" promulgated by the competent authority.

Article 9 When transferring shares, the assignor and assignee shall fill in the application for share transfer and apply to the Company for the transfer of ownership.

Article 10 Assignment/transfer of shares shall not be set up as a defense against the issuing company unless the name/title and residence/domicile of the assignee/transferee have been recorded in the shareholders' roster.

Article 11 (Deleted)

Article 12 (Deleted)

Article 13 The transfer of shares shall be suspended within 60 days prior to the annual shareholders' meeting, within 30 days prior to the special shareholders' meeting, or within 5 days prior to the record date fixed by the issuing company for distribution of dividends, bonuses, or other benefits.

### **Chapter III Shareholders' Meeting**

Article 14 Shareholders' meetings are divided into two categories, including annual meetings and special meetings. Annual meetings are convened once a year and six months after the end of the fiscal year. Special meetings are held when necessary according to the law.

Article 15 Shareholders who cannot attend the shareholders' meeting for any reason may issue a written proxy printed by the Company, stating the scope of authority and appoint the proxy to attend the meeting. In addition to the provisions of Article 177 of the Company Act, the rules for shareholders to attend by proxy shall be handled under the "Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" promulgated by the

competent authority.

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 is on leave, the vice-chairman shall act in place of the chairperson, or, if there is no vice-chairman or the vice-chairman is unable to act, by a director designated by the chairman, or, if no such a designation, by a director elected by and from among themselves. If it is convened by any other person having the convening right other than the Board of Directors, he/she shall act as the chairperson of that meeting provided, however, that if there are two or more persons having the convening right, the chairperson of the meeting shall be elected from among themselves.

Article 17 Except in the circumstances otherwise provided by law or the competent securities authority, a shareholder shall have one voting power in respect of each share in possession. When convening a shareholders' meeting, the Company may allow the shareholders to exercise voting rights by correspondence or electronic means. The relevant exercise methods shall be handled in accordance with the Company Act and the rules set forth by the competent authority.

Article 18 Unless otherwise provided by relevant laws and regulations, the resolution of the shareholders' meeting shall be carried out by shareholders representing a majority of the total number of issued shares in person or by proxy, with the consent of a majority of the voting rights of the shareholders present.

Article 19 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 shareholders' meeting and distributed to all shareholders within 20 days after the meeting. The distribution of the meeting minutes may be entered into the MOPS as the public announcement.

## **Chapter IV Directors**

Article 20 The Company shall have seven to eleven directors who shall be elected by the shareholders' meeting from among the persons with disposing capacity. The candidate nomination system is adopted for the election.

Among the number of directors in the preceding paragraph,

independent directors shall be not less than three in number and not less than one-fifth of the total number of directors. The professional qualifications, shareholding, restrictions on concurrent positions held, nomination and election methods, and other matters for compliance concerning independent directors shall be based on the relevant regulations of the competent securities authority.

The Board is composed of directors. Directors shall elect a chairman of the Board from among the directors by a majority vote at a meeting attended by over two-thirds of the directors, and may also elect in the same manner a vice chairman of the Board.

Article 20-1 The Company has set up an Audit Committee under Article 14-4 of the Securities and Exchange Act and is composed of independent directors according to law. The exercise of powers and other matters to be complied with by the Audit Committee shall be conducted under the relevant laws and the company's rules.

Article 21 The term of office of a director is three years, and he/she may be eligible for re-election. The total shares of nominal stocks held by the entire body of directors in the preceding paragraph shall not be less than a specified percentage stipulated by the competent authority under the laws.

Article 22 When the number of directors falls short by one-third of the total number or all directors are discharged, the Board of Directors shall convene a special shareholders' meeting within 60 days to hold a by-election for directors. The term of office shall be limited to serve out the remainder of the original term of service.

Article 23 The Company's business policy and other important matters shall be implemented by the Board's resolution. The Board of Directors shall be convened and chaired by the chairman of the Board, except for the first meeting of each Board convened by the directors with the most voting rights. When the chairman is unable to perform the duties, the vice-chairman shall act in place of the chairperson, or, if there is no vice-chairman or the vice-chairman is unable to act, by a director designated by the chairman, or, if no such a designation, by a director elected by and from among themselves.

Article 24 In calling a meeting of the Board of Directors, a notice shall be set forth therein the subject(s) to be discussed and be given to each

director no later than seven days before the scheduled meeting date. In the case of an emergency, the Board meeting may be convened at any time.

In calling a meeting of the Board of Directors, the notice may be effected by means of electronic transmission, e-mail, or fax.

Unless otherwise provided in the Company Act, a majority of the directors shall be present at a meeting of the Board of Directors. Directors who cannot attend the meeting for any reason may issue a written proxy, stating the scope of authority, and designate the attending director as a proxy, but each person may appoint one proxy only. The resolutions are adopted by a majority of the directors present.

Article 25 (Deleted)

Article 26 When a director carries out the Company's business, the Company shall pay remuneration regardless of operating profit and loss. The compensation and travel expenses of the Company's directors are authorized to be resolved by the Board of Directors based on the directors' level of involvement and the value of their contribution to the Company's operations with reference to the industry standards.

Article 26-1 The Company may purchase liability insurance for directors and managers during their term of office for the legal liability in respect of their business scope. The amount of insurance and insurance coverage is authorized to be resolved by the Board of Directors.

## **Chapter V Managerial Officers**

Article 27 The Company may have one or more managerial personnel. Its appointment, discharge, and remuneration shall be handled in accordance with Article 29 of the Company Act.

## **Chapter VI Final Account Earnings Distribution**

Article 28 At the close of each fiscal year, the Board of Directors shall prepare the following statements and records and forward the same to the Audit Committee for review and the shareholders' meeting for ratification by law:

Business Report

Financial Statements



### Proposal of earnings distribution or loss make-up

Article 29 If the Company makes a profit in the year, no less than 1% shall be appropriated as employee compensation and no more than 3% shall be appropriated as compensation for directors and supervisors. However, if the Company still has accumulated losses, it shall reserve the amount to make up for the losses first.

The profit for the current year as mentioned in the preceding paragraph refers to the pre-tax profit for the year before the deduction of compensation for employees, directors, and supervisors in the current year.

The recipients of employee compensation in cash or stock may include employees of subordinate companies who meet certain specific requirements, and the conditions and distribution methods are authorized by the board of directors to determine.

Article 29-1 If there are earnings in the annual final accounts of the Company, it shall first pay taxes, make up for accumulated losses, then appropriate 10% as a legal reserve, also set aside a special reserve pursuant to Article 41 of the Securities and Exchange Act. Afterward, the remaining balance is added to the undistributed earnings of the previous year. Shall there be any remaining balance, the dividend will be distributed first and be limited to 10%. The balance after distribution shall be appropriated by the resolution of the shareholders' meeting.

Article 30 The Company's dividend distribution shall be based on the profit of the current year. Considering the future capital requirements and sustainable development, the Company may give thought to the overall capital expenditure planning. As for dividend distribution, the cash dividend payout ratio shall be no less than 10% of the total dividend. If funds are required for the factory expansion or future investment plans in the year, they may be fully distributed in stock dividends.

## **Chapter VII Supplemental Provisions**

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

Article 32 The Company's Charter and operating rules are otherwise formulated by the resolution of the Board of Directors.

Article 33 The Articles were established by the promoter on Jul. 10, 1980. The

1st amendment was made on Nov. 9, 1983, the 2nd amendment was made on Nov. 1, 1984, the 3rd amendment was made on Aug. 1, 1987, the 4th amendment was made on Nov. 1, 1987, the 5th amendment was made on Dec. 22, 1989, the 6th amendment was made on Mar. 28, 1990, the 7th amendment was made on Jun. 28, 1990, the 8th amendment was made on Dec. 15, 1990, the 9th amendment was made on Mar. 8, 1991, the 10th amendment was made on May 27, 1991, the 11th amendment was made on Mar. 3, 1992, the 12th amendment was made on Jun. 23, 1993, the 13th amendment was made on Jul. 5, 1994, the 14th amendment was made on Jun. 6, 1995, The 15th amendment was on Jun. 29, 1996, the 16th amendment was on May 26, 1997, the 17th amendment was on Apr. 23, 1998, the 18th amendment was on May 6, 1999, the 19th Amendment was on Apr. 19, 2000, the 20th amendment was on Jul. 19, 2000, the 21st amendment was on May 11, 2001, the 22nd amendment was made on May 6, 2002, the 23rd amendment on Nov. 4, 2002, and the 24th amendment on Apr. 29, 2003. The 25th amendment was on Dec. 5, 2003, the 26th amendment was on Jun. 29, 2005, the 27th amendment was on Jun. 19, 2006, the 28th amendment was made on Jun. 13, 2008, the 29th amendment was made on Jun. 15, 2010, the 30th amendment was made on Jun. 10, 2011, the 31st amendment was made on Jun. 19, 2012, the 32nd amendment was made on Jun. 19, 2014, the 33rd amendment was made on Jun. 21, 2016, the 34th amendment was on Jun. 22, 2017, and the 35th amendment was made on Jun. 25, 2019.

**Ho Tung Chemical Corp.**

**Chairman Li-Chiou Chang**

# Ho Tung Chemical Corp.

## Regulations Governing the Acquisition and Disposal of Assets

Amended by the annual shareholders' meeting on Jun. 25, 2019

### Chapter I. Purpose and Legal Basis

To protect the investment and implement information disclosure, it is formulated according to Article 36-1 of the Securities and Exchange Act and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" by the FSC.

### Chapter II. Definition

- I. The term "assets" as used in the Procedures includes the following:
  - (I) Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing an interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
  - (II) Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
  - (III) Memberships.
  - (IV) Patents, copyrights, trademarks, franchise rights, and other intangible assets.
  - (V) Right-of-use assets.
  - (VI) Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
  - (VII) Derivatives.
  - (VIII) Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with the law.
  - (IX) Other important assets.
- II. The term "derivatives" used in the Procedures refers to forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variables; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- III. The term "assets acquired or disposed of through mergers, demergers, acquisitions, or transfer of shares in accordance with law" in the Procedures refers to assets acquired or disposed of through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act, and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.
- IV. The term "related party" and "subsidiary" used in the Procedures shall be defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- V. The term "professional appraiser" used in the Procedures refers to a real property appraiser or other people duly authorized by law to engage in the value appraisal of real property or equipment.
- VI. The term "date of occurrence" used in the Procedures is, in principle, the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors resolutions, or other dates that can confirm the counterpart and monetary amount of the transaction (the earlier shall apply). Provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- VII. The term "mainland China area investment" used in the Procedures refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- VIII. The term "within one year" used in the Procedures herein refers to the year preceding the date of

acquisition or disposal of assets. Items that have already been disclosed need not be counted toward the transaction amount.

- IX. The term "most recent financial statements" used in the Procedures refers to the financial statements that have been publicly verified or audited by a CPA prior to the acquisition or disposal of assets.
- X. The term "10 percent of total assets" used in the Procedures is calculated by the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

In the case of a subsidiary's shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20% of paid-in capital under the Procedures, 10% of equity attributable to owners of the parent shall be substituted; for calculations under the provisions of the Procedures regarding transaction amounts relative to a paid-in capital of NT\$10 billion, NT\$20 billion of equity attributable to owners of the parent shall be substituted.

### **Chapter III. Appraisal and Operating Procedures**

- I. As for the appraisal of asset acquisition, those that belong to real property or equipment, each unit shall first draw up a capital expenditure plan and conduct a feasibility assessment, and then submit it to the finance and accounting department to prepare a capital expenditure budget and then implement and control it according to the contents of the plan; for securities investment, the execution unit shall set up an investment evaluation team to conduct a feasibility evaluation before it can do so.
- II. As for the appraisal of asset disposal, those that belong to real property or equipment shall be signed by each project unit, stating the reason and method for disposal, etc., and can be carried out only after approval; for securities investment, the execution unit shall conduct a feasibility evaluation before it can do so.
- III. Assets involving securities investment shall be reasonably evaluated following the International Financial Reporting Standards (IFRS) or the relevant bulletins of the International Accounting Standards (IAS), and appropriate provision for price loss shall be recognized. All securities certificates shall be registered by the finance and accounting and kept in a safe deposit box.
- IV. For all equity investments and bonds, securities of the Company as investors shall be acquired within 30 days from the date of the investee company's issuance of stocks or bonds under the Company Act. In case of acquisition by the transferee, equity transfer procedures shall be handled immediately.
- V. The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price. If any of the following circumstances occur and the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the company shall engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to adopt an expert report, it should be handled following the provisions of Statement of Auditing Standards No. 20 issued by the Accounting Research and Development Foundation (hereinafter referred to as ARDF). This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC):
  1. Acquisition or disposal of securities that are not traded on the stock exchange or the TPEx.
  2. Acquisition or disposal of the private placement of securities.
  3. Acquisition or disposal of intangible assets or right-of-use assets thereof or memberships except in transactions with a domestic government agency.
- VI. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA's opinion.

### **Chapter IV. Procedures for Determining Transaction Terms**

- I. The Company acquires or disposes of assets, except for the securities traded on a centralized market or the TPEx with the evidentiary documentation in place of an appraisal report or CPA's opinion, those who reach a threshold requiring a public announcement set out in Article 7 of the Procedures should obtain the Board of Directors's approval in advance. If it falls under Article 185 of the Company Act, it shall first be submitted to the shareholders' meeting for approval.
- II. Where the Company acquires or disposes of securities from the centralized market or the TPEx and assets that do not reach a threshold requiring a public announcement set out in the Procedures, the

chairman may authorize each executive unit to handle the matter based on the job authorities the proxy method.

- III. The reference materials for the price determination method of the assets in the preceding paragraph shall be handled by the following circumstances:
  1. For the acquisition or disposal of the securities that have been traded at the centralized market or the TPEx, their price shall be determined based on the equity or bond price at the time.
  2. For the acquisition or disposal of the securities that have been traded at the centralized market or the TPEx, The net worth per share, profitability, future development potential, market interest rate, bond coupon rate, debtor credit, etc., shall be taken into consideration. The CPA's opinion and the negotiated transaction price at that time shall also be referenced.
  3. Acquisition or disposal of real property and equipment shall refer to the publicly announced current value, the assessed value, and the actual transaction prices of the nearby real property, etc. A professional appraisal institution shall be hired separately for an appraisal if it reaches a threshold requiring a public announcement set out in the Procedures.

## **Chapter V. Implementation Unit:**

- I. The Company's implementation unit for securities investment is the finance and accounting department, and the implementation unit for real property and equipment is the management department and relevant authorities.

## **Chapter VI. Exclusion of Related Parties**

Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

- I. May not have previously received a final and unappealable sentence to imprisonment for one year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if three years have already passed since the completion of service of the sentence, since the expiration of the period of a suspended sentence, or since a pardon was received.
- II. May not be a related party or de facto related party of any party to the transaction.
- III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties to each other.

When issuing an appraisal report or opinion, the person referred to in the preceding paragraph shall comply with the following provisions:

- I. Prior to accepting a case, they shall prudently assess their professional capabilities, practical experience, and independence.
- II. When auditing a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- III. They shall undertake an item-by-item evaluation of the completeness, correctness, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- IV. They shall issue a statement attesting to the professional competence and independence of the person who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and correct and that they have complied with applicable laws and regulations.

## **Chapter VII. Information Disclosure**

- I. Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information to the information declaration website in the appropriate format as prescribed by regulations within two days counting inclusively from the date of occurrence of the event:
  - (I) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or

acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more. Provided, this shall not apply to the trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

- (II) Merger, demerger, acquisition, or transfer of shares.
- (III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
- (IV) Where equipment or right-of-use assets thereof for business use are acquired or disposed of and the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:
  - 1. The Company's paid-in capital is less than NT\$10 billion, and the transaction amount reaches NT\$500 million or more.
  - 2. The Company's paid-in capital is NT\$10 billion or more, and the transaction amount reaches NT\$1 billion or more.
- (V) Where land is acquired under an arrangement of engaging others to build on the company's land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction, and allocation of ownership percentages, or joint construction and separate sale, the transaction counterparty is not a related party, and the estimated transaction amount invested by the company is less than NT \$500 million.
- (VI) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, disposal of receivables by a financial institution, or an investment in the mainland China area reaches more than 20% of the company's paid-in capital or NT\$300 million. Provided, this shall not apply to the following circumstances:
  - 1. Trading of domestic government bonds.
  - 2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- II. The amount of transactions above shall be calculated as follows:
  - (I) The amount of any individual transaction.
  - (II) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
  - (III) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
  - (IV) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
- III. "Within one year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be counted toward the transaction amount.
- IV. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.
- V. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.
- VI. When acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports, and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for five years except where another act provides otherwise.
- VII. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with regulations, a public report of relevant information shall be made on the information reporting website designated by the FSC within two days counting inclusively from the date of occurrence of the event:
  - (I) Change, termination, or rescission of a contract signed in regard to the original transaction.

- (II) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
- (III) Change to the originally publicly announced and reported information.

## **Chapter VIII. Related Party Transactions:**

- I. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section. Furthermore, when judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.
- II. When a public company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all members of Audit Committee, and then resolved by the Board of Directors:
  - (I) The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets.
  - (II) The reason for choosing a related party as a transaction counterparty.
  - (III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the predetermined transaction terms in accordance with paragraphs 3 and 4 of this Article.
  - (IV) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
  - (V) Monthly cash flow forecasts for the year commencing from the anticipated month of the signing of the contract, an evaluation of the necessity of the transaction, and the reasonableness of the fund's utilization.
  - (VI) An appraisal report from a professional appraiser or a CPA's opinion is obtained in compliance with paragraph 1 of this Article.
  - (VII) Restrictive conditions and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 7, paragraph 2 herein, and "within one year" as used herein refers to the year preceding the date of occurrence of the current transaction. Following the Procedures, items that have been approved by more than half of the members of the Audit Committee and submitted to the Board of Directors need not be counted toward the transaction amount.

With respect to the types of transactions listed below, when to be conducted between the company, its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the company's Board of Directors may delegate the Chairman to determine such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:

  - (I) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
  - (II) Acquisition or disposal of real property right-of-use assets held for business use.

Where the position of independent director has been created in accordance with the regulations, when a matter is submitted for discussion by the Board of Directors pursuant to paragraph 1, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.
- III. The Company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means (where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the

- land and the structures may be separately appraised in accordance with either of the following means):
- (I) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
  - (II) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.
- IV. Where the company acquiring real property or right-of-use assets from a related party, apart from appraising the cost of the real property or right-of-use assets thereof in accordance with the preceding paragraph, shall also engage a CPA to check the appraisal and render a specific opinion.
- V. Where acquiring real property thereof from a related party and one of the following circumstances exists, the preceding two paragraphs do not apply, but the acquisition shall be conducted in accordance with paragraph 2:
- (I) The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
  - (II) More than five years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
  - (III) The real property is acquired through the signing of a joint development contract with the related party or through engaging a related party to build real property, either on the company's land or on rented land.
  - (IV) The real property right-of-use assets for business use are acquired by the subsidiaries, or by the subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.
- VI. When acquiring real property from a related party, if the results of the company's appraisal conducted in accordance with paragraph 3 of this Article are uniformly lower than the transaction price, the matter shall be handled in compliance with paragraph 7. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:
- (I) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
    - 1. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
    - 2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in-floor or area land prices in accordance with standard property market sale or leasing practices.
  - (II) Where the company acquiring real property or obtaining real property right-of-use assets through leasing, from a related party, provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of similar size by unrelated parties within the preceding year.
  - (III) Completed transactions involving neighboring or closely valued parcels of land in paragraphs (I) and (II) in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.
- VII. Where the company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with paragraph 3 of this Article are uniformly lower than



the transaction price, the following steps shall be taken:

- (I) A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the transaction price of real property or right-of-use assets and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for, under Article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. The special reserve that has been set aside under the preceding paragraph may not utilize the special reserve until it has recognized a loss on a decline in the market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.
- (II) The Audit Committee shall comply with Article 218 of the Company Act.
- (III) Actions taken pursuant to (I) and (II) shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

### **Chapter IX. Investment Scope and Amount:**

In addition to assets acquired for business use, the Company may also invest in real property and securities for non-business use. The limits on the amount are as follows:

- I. This Company
  - 1. The total amount of real property for non-business use shall not exceed 30% of the Company's net worth.
  - 2. The total investment of the securities shall not exceed 110% of the Company's net worth.
  - 3. The investment limit of individual securities shall not exceed 30% of the Company's net worth.
- II. Investment-type subsidiary
  - 1. The total amount of real property for non-business use shall not exceed 50% of the subsidiary's net worth.
  - 2. The total investment of the securities shall not exceed 200% of the subsidiary's net worth.
  - 3. The investment limit of individual securities shall not exceed 200% of the subsidiary's net worth.
- III. Non-investment type subsidiary
  - 1. The total amount of real property for non-business use shall not exceed 30% of the subsidiary's net worth.
  - 2. The total investment of the securities shall not exceed 70% of the subsidiary's net worth.
  - 3. The investment limit of individual securities shall not exceed 70% of the subsidiary's net worth.

### **Chapter X. Engaging in Derivatives Trading**

- I. Trading principles and strategies: Follow the Company's "Procedures for Engaging in Derivatives Trading."
  - (I.) Transaction type: The types of derivatives trading conducted by the Company are limited to foreign currency forward and NTD interest rate swap. Other derivative products may not be traded until approved by the Board of Directors.
  - (II.) Operating and hedging strategies: The Company engages in derivative trading for hedging purposes. Trading commodities should be selected to hedge risks arising from the Company's business operations. In addition, based on the company's operational needs, the trading counterparty shall be chosen from financial institutions with better conditions to make hedging transactions to avoid credit risk. At the same time, before the foreign exchange operation, it must clearly define whether the trading type is financial operations for hedging or pursuit of investment income, as the basis for accounting.
  - (III.) Division of authority and responsibility:
    - 1. Authorized quota: The Company shall not engage in derivative trading until approved by the Board of Directors regardless of the amount.
    - 2. Implementation unit: It shall be performed by the financial personnel of the Company and be implemented after the approval of the competent supervisor.
  - (IV.) Performance evaluation: Financial personnel shall regularly review the operating performance

and report to the financial controller and president twice a month to review the hedging strategies for improvement.

- (V.) Transaction limit: The total contract amount related to foreign currency hedge forwards shall not exceed the company's total foreign currency demand of special purpose capital expenditures on actual imports and purchases of production equipment. The hedging transactions of interest rate swap shall not exceed NT\$4 billion. The total amount of other derivative tradings shall not exceed NT\$500 million.
- (VI.) Loss limit: The total loss of the Company's derivatives trading shall not exceed 50% of the total contract value; the loss amount of an individual contract shall not exceed 50% of the contract value.

## II. Risk management measures:

- (I) Risk management scope: Follow the Company's "Procedures for Engaging in Derivatives Trading."
  - 1. Credit risk considerations: The trading counterparties are limited to banks that have business relations with the Company and can provide professional information.
  - 2. Market risk considerations: The market is mainly through the bank OTC, and the futures market is not considered currently.
  - 3. Liquidity considerations: To ensure liquidity, the trading banks shall have sufficient equipment, information, and trading competency and have any market for trading.
  - 4. Operational consideration: Authorized quota and operational procedures shall be strictly followed to avoid operational risks.
  - 5. Legal considerations: Any document signed with the bank can only be formally signed after review by the legal counsel to avoid legal risks.
  - 6. Product risk considerations: Internal trading personnel should have complete and correct expertise in the financial products traded. The banks are required to fully disclose the risks to avoid losses caused by the misuse of financial products.
- (II) Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
- (III) Risk measurement, monitoring, and control personnel shall be assigned to a different department from traders, confirmation and delivery personnel, and other operators, and shall report to the Board of Directors or senior management personnel with no responsibility for trading or position decision-making.
- (IV) Derivatives trading positions held shall be evaluated at least once a week; however, hedge positions required by the business shall be evaluated at least twice a month. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.
- (V) Other important risk management measures.

## III. When engaging in derivatives trading, the Board of Directors shall faithfully supervise and manage such trading in accordance with the following principles:

- (I) Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.
- (II) Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.
- (III) Penalties for personnel violating the Procedures or the Procedures for Engaging in Derivatives Trading.

## IV. Senior management personnel authorized by the Board of Directors shall manage derivatives trading in accordance with the following principles:

- (I) Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the Procedures and the Procedures for Engaging in Derivatives Trading formulated by the Company.
- (II) When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors. Where the position of independent director has been created in accordance with regulations, independent directors shall be present at the Board meeting and express an opinion.

## V. The Company shall report to the soonest meeting of the Board of Directors after it authorizes the relevant personnel to handle derivatives trading.

## VI. Where the Company engages in derivatives trading, a log book shall be established in which details of the

types and amounts of derivatives trading engaged in, Board of Directors approval dates, and the matters required to be carefully evaluated under subparagraph 4 of paragraph 2, subparagraph 2 of paragraph 3, and subparagraph 1 of paragraph 4 of this Article shall be recorded in detail in the log book.

- VII. The internal audit system: The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading and prepare an audit report. If any material violation is discovered, the Audit Committee shall be notified in writing.

## **Chapter XI. Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares**

- I. Where the Company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve the matter, it shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.
- II. The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and include it along with the expert opinion referred to in the preceding paragraph when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided that a provision of another act exempts a company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders' meeting fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restrictions, or the proposal is rejected by the shareholders' meeting, the reason, the follow-up measures, and the preliminary date of the next shareholders' meeting shall be publicly explained immediately.
- III. A company participating in a merger, demerger, or acquisition shall convene a Board of Directors meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call a Board of Directors meeting on the day of the transaction unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company that is listed on an exchange or has its shares traded on the TPEx shall prepare a full written record of the following information and retain it for five years for reference:
  1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to the disclosure of the information.
  2. Date of important events: Including the signing of any letter of intent or memorandum of understanding, the hiring of financial or legal advisors, the execution of a contract, and the convening of a Board of Directors meeting.
  3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of the Board of Directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on the TPEx shall, within two days counting inclusively from the date of passage of a resolution by the Board of Directors, report the information, in the prescribed format and via the Internet-based information system, set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on the TPEx, the companies so

listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the subparagraphs 3 and 4.

- IV. Every person participating in or privy to the plan for the merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for the merger, demerger, acquisition, or transfer of shares.
- V. The share exchange ratio or acquisition price may not be arbitrarily altered unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:
  - (I) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities.
  - (II) An action, such as disposal of major assets, that affects the Company's financial operations.
  - (III) An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
  - (IV) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
  - (V) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
  - (VI) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- VI. The contract for participation in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies and shall also record the following:
  - (I) Handling of breach of contract.
  - (II) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
  - (III) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
  - (IV) The manner of handling changes in the number of participating entities or companies.
  - (V) Preliminary progress schedule for plan execution, and anticipated completion date.
  - (VI) Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion, and relevant procedures.
- VII. After public disclosure of the information, if the Company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, it shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and the shareholders' meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, and may be exempted from calling another shareholders' meeting to resolve on the matter anew.
- VIII. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of subparagraphs 3, 4, and 7 of this Article.

## **Chapter XII. Appraisal Reports on Acquisition or Disposal of Real Property or Equipment:**

In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction shall be publicly announced, with the amount reaching 20% of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- I. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- II. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional

appraisers shall be obtained.

- III. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - (I) The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
  - (II) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- IV. No more than three months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, that the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original professional appraiser.

### **Chapter XIII. Other Matters**

- I. Information required to be publicly announced and reported on acquisitions and disposals of assets by a subsidiary that is not itself a public company shall notify the Company for the Company to do so on its behalf. The paid-in capital or total assets of the subsidiary requiring public announcement is relative to the paid-in capital or total assets of the Company.
- II. Subsidiaries reinvested by the Company shall establish the "Procedures for Acquisition or Disposal of Assets" under the regulations when the said subsidiaries intend to acquire and dispose of assets. After the procedures have been approved by the Board of Directors, they shall be submitted to the shareholders' meetings of the Company and its subsidiaries. The same shall apply to the amendment. The Company shall see to it that its subsidiaries set up and self-check in accordance with relevant standards and the procedures. The internal audit shall review the self-inspection report of the subsidiary and follow up with the improvement of the abnormality.
- III. If the assets obtained or dispose of the assets reach a threshold requiring a public announcement set out in the Procedures and the transaction counterparty is a de facto related party, the contents of the announcement shall be disclosed in the notes to the financial statements, and the condition shall be reported to the shareholders' meeting.
- IV. When acquiring real property from related parties, with the exception of joint development contracts, the Company shall prepare monthly cash flow forecasts for the year commencing from the anticipated month of the signing of the contract, and evaluation of the necessity, and reasonableness of the fund's utilization. The Company may not proceed with the proposal until approved by more than half of all members of the Audit Committee and submitted to the Board of Directors for approval, and then it shall be reported at the next shareholders' meeting. Should the transaction amount reach the standard as stipulated in Article 9 of the Procedures, a public announcement shall be made.
- V. If relevant personnel violate the Procedures and relevant laws and regulations, the Company may give out a warning, demerit, demotion, suspension, salary reduction, or other punishment according to the seriousness of circumstances and as an internal review matter.
- VI. Matters not specified in the Procedures shall be handled following relevant laws and regulations of the Company. If the competent authority has amended the original interpretation of the Procedures for Acquisition or Disposal of Assets, the Company shall comply with the new official letter or decree.

### **Chapter XIV. The Procedures have been approved by more than half of all members of the Audit Committee, implemented after the resolution of the Board of Directors, and then submitted to the shareholders' meeting for approval. The same shall apply to the amendment. If any director expresses dissent and it is contained in the minutes or a written statement, the director's dissenting opinion shall be submitted to the Audit Committee.**

Where the position of independent director has been created in accordance with the regulations, when a matter is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the

minutes of the Board of Directors meeting. If approval of one-half or more of all Audit Committee members as required in paragraph 1 is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting. The terms "all Audit Committee members" in the Procedures and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Amended on Mar. 28, 2019.

## Ho Tung Chemical Corp. Shareholdings of the Directors

- I. The paid-in capital of the Company is TWD10,168,248,080 and the number of issued shares is 1,016,824,808 shares.
- 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 shareholdings status of the individual and all directors as recorded in a shareholders' meeting on the book closure date of this shareholders' meeting are as follows:

Apr. 25, 2022

Title	Account Name	Shareholding (shares)	Shareholding (%)
Chairman	Hung I Investments Co., Ltd. Representative: Li-Chiou Chang	101,690,169	10.000
Director	Hung I Investments Co., Ltd. Representative: Yi-Ju Chen		
Director	Hung I Investments Co., Ltd. Representative: Wei-Yu Chen		
Director	Hung I Investments Co., Ltd. Representative: Long-Chain Lee		
Director	Yuan-he Chen Cultural & Educational Foundation Representative: Yi-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