

# Taiwan Hon Chuan Enterprise Co., Ltd.

## 2022 Annual Shareholders' Meeting Minutes

(Translation)

**Time and Date:** 9:00 a.m., June 17 (Fri.), 2022

**Place:** Hon Chuan Headquarters (International Convention Hall)  
(3F, No.6, 2Rd. Taichung Industrial Park, Taiwan)

**Attendants:**

Total issued and outstanding shares: 287,785,879 shares.

Total shares represented by shareholders present in person or by proxy:

193,263,658 shares (including votes casted electronically: 156,463,895 shares);

Percentage of shares held by shareholders present in person or by proxy: 67.15%.

**Directors present:**

Dai, Hung-Chuan, Tsao, Hsih-Chung, Liu, Yun-Chang, Tsao, Hung -Yu, Dai, Hung-I, Chang, Chun-Shu

**Independent directors present:**

Hung, Chao-Nan, Kung, Yi-Lu

**Sit-in members:**

Wu, Shao-Chun, CPA of Deloitte & Touche

**Chairman:** Dai, Hung-Chuan (the Chairman of the Board of Directors)

**Recorder:** Sie, Yi-Ru

The Shareholders presented have reached the quorum, Chairman announced to commence the meeting.

## A. Report Items

**Item 1 :** 2021 Business Report. Please submit for review.

**Explanatory Notes :**

(1) 2021 Business Report, Financial Statements and CPA Audit Report  
are attached as Attachment 1 and 2.

(2) Please review.

Acknowledged.

**Item 2 :** Audit Committee's Review Report on the 2021 Financial Statements.

Please submit for review.

**Explanatory Notes :**

- (1) The Company's 2021 financial statements have been duly audited and certified by the CPA and further reviewed by Audit Committee. The CPA and Audit Committee issue auditors' report and Audit Committee's review report respectively. Please refer to Attachment 2 and 3.
- (2) Please review.

Acknowledged.

**Item 3 :** Distribution of Cash Dividend from 2021 Earnings. Please submit for review.

**Explanatory Notes :**

- (1) This distribution of cash dividends of ordinary shares of NT\$ 1,237,479,280 (NT\$ 4.3 per share).
- (2) The cash dividends will be distributed to each shareholder and be rounded down to one NT\$. The fractional stocks less than NT\$1 in the allocation were transferred to other income of the Company.
- (3) If the number of total shares outstanding, prior to the ex-dividend date for the distribution, has changed so that the ratios of dividends are affected, the Board of Directors is authorized to make such adjustments.
- (4) Please review.

Acknowledged.

**Item 4 :** 2021 Employees' Compensation and Directors' Remuneration Report.

Please submit for review.

**Explanatory Notes :**

- (1) In accordance with the 28th Article of the Company's Articles of Incorporation.
- (2) The 2021 profit of the Company is NT\$ 2,199,192,288. (That represents the pretax income before distribution of employees' compensation and directors' remuneration.) The Company proposes

to distribute 1.70% or NT\$ 37,432,750 as 2021 employees' compensation and 0.79% or NT\$ 17,294,076 as directors' remuneration.

- (3) The remuneration to employees and directors is to be distributed in cash. There is no discrepancy between the amount to be distributed and expenses recognized in 2021.
- (4) The aforementioned amount of employees' compensation and directors' remuneration has been approved by the Board of Directors on March 22, 2022.
- (5) Please review.

Acknowledged.

#### **Item 5 : Issuance of the Domestic Unsecured Ordinary Corporate Bonds**

Report. Please submit for review.

#### **Explanatory Notes :**

- (1) The Company issues the 1<sup>st</sup> Domestic Unsecured Corporate Bonds in order to enrich long-term working capital, repay debt and reduce the risk of rate hike in the future, which has been resolved by the Board of Directors' meeting on September 30, 2021.

Implementation report is as below:

	The 1 <sup>st</sup> Domestic Unsecured Corporate Bonds in 2021
Date of Issuance	November 26, 2021
Term of Issuance	5 years
Object of Issuance	Enrich long-term working capital, repay debt and reduce the risk of rate hike in the future
Total Issuance Amount	NT\$ 3 Billion
Rate of Issuance	Fixed rate of 0.75%
Principal Payment	100% principal repayment upon maturity
Interest Calculation and Payment	From the date of the issuance, a simple interest is calculated and distributed once a year per coupon rate. Each 1 million of bond interest is calculated to dollar and rounded off to dollar. If the day for repayment of principal and interest is the banks' closing day in the place of payment, then it shall repay at next business day without extra interest calculated and distributed. If

	receiving principal and interest after the day for repayment of principal and interest, it shall not calculate and distribute extra interest, either.
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(2) Please review.

## B. Approvals

**Approval 1:** Approval of 2021 Financial Statements and Business Report. Please ratify. (Proposed by the Board of Directors)

### Explanatory Notes :

- (1) The 2021 Financial Statements and Business Report have been duly audited and certified by the CPA firm of Deloitte & Touche, and have been approved by the Board of Directors. Also, the Audit Committee has reviewed 2021 Financial Statements and Business Report and issued review report.
- (2) The 2021 Financial Statements and Business Report are attached as Attachment 2.
- (3) Please ratify.

### Resolution :

193,263,658 shares were represented at the time of voting (including votes casted electronically: 156,463,895); 160,230,909 votes were in favor of the proposal (including votes casted electronically: 123,465,993); 221,367 votes were casted against the proposal (including votes casted electronically: 221,367); 0 vote was casted invalidly of the proposal; 32,811,382 votes were abstained of the proposal (including votes casted electronically: 32,776,535). The proportion of 82.90% in favor of the proposal was casted.

RESOLVED, that the above proposal hereby was approved as proposed.

**Approval 2:** Approval of 2021 Profit Distribution Proposal. Please ratify.  
(Proposed by the Board of Directors)

### Explanatory Notes :

- (1) The Company's 2021 net income is NT\$ 1,964,730,343. After deduction of the remeasurement of defined benefit obligation of NT\$

815,122 and addition of the remeasurement of defined benefit obligation on subsidiaries of NT\$ 367,515, the after-tax net income and other items adjusted to the current year's undistributed earnings other than after-tax net income is NT\$ 1,964,282,736; after adding the the adjusted unappropriated retained earnings of previous years of NT\$ 1,945,519,993, a total of NT\$ 3,909,802,729 is to be allocated in accordance with the Articles of Incorporation.

(2) The Board of Directors has drafted proposal for Distribution of 2021 Profit as shown below. Please refer to Attachment 4

I . Legal capital reserve, NT\$ 196,428,274.

II . Special reserve, NT\$ 544,040,378.

III . Shareholders' Dividend-Cash dividend NT\$4.3 per share,  
NT\$1,237,479,280.

(3) Please ratify.

### **Resolution :**

193,263,658 shares were represented at the time of voting (including votes casted electronically:156,463,895); 161,492,996 votes were in favor of the proposal (including votes casted electronically: 124,728,080); 88,368 votes were casted against the proposal (including 88,368 electronic votes); 0 vote was casted invalidly of the proposal; 31,682,294 votes were abstained of the proposal (including votes casted electronically: 31,647,447). The proportion of 83.56% in favor of the proposal was casted.

RESOLVED, that the above proposal hereby was approved as proposed.

## **C. Discussion Items**

**Proposal 1 :** To amend the "Articles of Incorporation." Please proceed to discuss. (Proposed by the Board of Directors)

### **Explanatory Notes :**

(1) In accordance with the provisions of Article 172-2 of the Company Act and taking into account of the actual needs of the Company, the Company hereby proposes to add revision that "The Company's

shareholders' meeting can be held by means of video conference or other methods promulgated by the central competent authority."

Please refer to Attachment 5 for details of the proposed amendments.

(2) Please proceed to discuss.

**Resolution :**

193,263,658 shares were represented at the time of voting (including votes casted electronically: 156,463,895); 161,441,653 votes were in favor of the proposal (including votes casted electronically: 124,676,737); 77,381 votes were casted against the proposal (including 77,381 electronic votes); 0 vote was casted invalidly of the proposal; 31,744,624 votes were abstained of the proposal (including votes casted electronically: 31,709,777). The proportion of 83.53% in favor of the proposal was casted.

RESOLVED, that the above proposal hereby was approved as proposed.

**Proposal 2 :** To amend the "Procedures for Acquisition or Disposal of Assets."

Please proceed to discuss. (Proposed by the Board of Directors)

**Explanatory Notes :**

(1) To comply with the applicable acts, the Company hereby proposes to amend its "Procedures for Acquisition or Disposal of Assets." Please refer to Attachment 6 for details of the proposed amendments.

(2) Please proceed to discuss.

**Resolution :**

193,263,658 shares were represented at the time of voting (including votes casted electronically: 156,463,895); 161,443,471 votes were in favor of the proposal (including votes casted electronically: 124,678,555); 77,381 votes were casted against the proposal (including 77,381 electronic votes); 0 vote was casted invalidly of the proposal; 31,742,806 votes were abstained of the proposal (including votes casted electronically: 31,707,959). The proportion of 83.53% in favor of the proposal was casted.

RESOLVED, that the above proposal hereby was approved as proposed.

**D. Other Business and Special Motion:** None.

**E. Meeting Adjourned**

### Business Report

Due to the persisting COVID-19 pandemic for the past two years, climate change risks and geopolitical conflicts, the macro environment faced many challenges and uncertainties. Despite increasing cost of raw materials and ocean freight, inflation affects the cost of procurement, manufacture, and plant construction; Taiwan Hon Chuan continues to deliver strong performance and expand our global footprint. Currently, we have continuously invested in Mainland China and Southeast Asia to bring both revenue and earnings growth. The team at Taiwan Hon Chuan continue to work hard to achieve year-on-year growth and strong performance for the Company. In 2021, consolidated sales reached NTD\$ 21,382,534,000, increased by 10.51% from NTD\$ 19,348,249,000 in 2020. Profit after tax totaled at NTD\$ 2,028,358,000, an increase of 17.20% from last year's NTD\$ 1,730,740,000. Earnings per share were 6.83 dollars for the year of 2021 conclusively. Both net income and earnings per share had hit a record high in 2021. Taiwan Hon Chuan would like most sincerely to thank our shareholders, clients, and suppliers for their long-term affirmation and support.

The long-term operating direction is to continuously promote the goal of “structural transformation, increasing efficiency, reducing costs, investing in innovation, deepening cooperation, and improving profitability,” we remain dedicated to governance, competitiveness, and sustainability. The operation directions of the Company are as follows:

- (1) Structural transformation: continuously promote the aspect of ESG (environment, society, corporate governance) in order to implement comprehensive quality assurance, meet client demand, cultivate talents, optimize the organizational operation and operational efficiency in each plant.
- (2) Increase efficiency: uplift automation processes and introduce Manufacturing Execution Systems to timely mastery of manufacturing information.
- (3) Reduce costs: through open tendering procurement, lean management, and internal audit to implement cost control.
- (4) Invest in innovation: develop innovative products, such as niche products, products for the circular economy, and cross-industry packaging.
- (5) Deepen cooperation: promote a customer-oriented culture which is led by a win-win business model and partnership via improving service quality, and focusing on the clients' needs to win their trust.
- (6) Improve profitability: implement business policies and targets, continuously create value for the Company, employees, society, and shareholders.



Taiwan Hon Chuan is dedicated to professional development, innovative research and developing, and personnel training, strengthening the accomplishment of global distributions and business model innovation, by ways of flexible commercial strategies, steady growing pace, bottom-up resources integration, accumulated experience with domestic and international clients and modern production technology and corporate governance ability, in order to demonstrate overall operating synergy.

Looking ahead, focusing on core business, Taiwan Hon Chuan will continue to strive towards our corporate purposes: “acquiring good business reputation, developing global markets, respecting our customers, caring for our employees and fulfilling our social responsibilities”. We aim to solidify our home market in Taiwan, and replicate our success story across the world such as Mainland China, South East Asia, Africa and other high potential regions. We look forward to a new era of Taiwan Hon Chuan through our sustainable development and persistent efforts in 2022.

Chairman :  
**Dai, Hung-Chuan**

President :  
**Tsao, Hsih-Chung**

Chief Accounting officer :  
**Cheng, Ya-Wen**

**Independent Auditors' Report  
(Financial Statements)**

The Board of Directors and Shareholders  
Taiwan Hon Chuan Enterprise Co., Ltd.

**Opinion**

We have audited the accompanying financial statements of Taiwan Hon Chuan Enterprise Co., Ltd. (the "Corporation"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis for Opinion**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Corporation's financial statements for the year ended December 31, 2021 is described as follows:

#### Revenue recognition

The Corporation manufactures and sells plastic caps and PET bottles, PET preforms and provides beverage filling OEM services. Because revenue from the aforementioned main products is significant to both the Corporation's revenue and profit, we identified revenue recognition as a key audit matter. Refer to Note 4 to the financial statements for the accounting policies on revenue recognition.

The key audit procedures that we performed in respect of revenue recognition included the following:

1. We understood the design of the internal controls related to revenue recognition and tested the operating effectiveness of the key controls. We also sampled and tested the effective continued operations of relevance controls.
2. We selected sample entries from the main products and we checked the entries against the original order, delivery order, invoices and receipt vouchers. We also checked the entries against the documents acknowledged by customers for their receipts, deliveries and orders.

#### **Other Matter**

We did not audit the financial statements of Hon Chuan Vietnam Co., Ltd., Hon Chuan Malaysia Sdn. Bhd., Hon Chuan (Thailand) Co., Ltd. and Hon Chuan FD Packaging Co., Ltd., which are investees of the Corporation and are accounted for using the equity method for the year ended December 31, 2021 and 2020, but such financial statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included in the Corporation's financial statements for these investees, is based solely on the reports of other auditors. The total assets of the aforementioned investments accounted for using the equity method were NTD3,317,752 thousand and NTD4,236,058 thousand, representing 10.91% and 14.78%, respectively, of the Corporation's total assets as of December 31, 2021 and 2020. The comprehensive income of these investees was NTD420,219 thousand and NTD421,102 thousand, representing 29.59% and 32.52%, respectively, of the Corporation's comprehensive income for the years ended December 31, 2021 and 2020.

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

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

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation 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 Corporation's financial reporting process.

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with

relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

The engagement partners on the audits resulting in this independent auditors' report are Shao-Chun Wu and Hsiao-Feng Yen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
March 22, 2022

#### Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

# **Independent Auditors' Report (Consolidated Financial Statements)**

The Board of Directors and Shareholders  
Taiwan Hon Chuan Enterprise Co., Ltd.

## **Opinion**

We have audited the accompanying consolidated financial statements of Taiwan Hon Chuan Enterprise Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 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 Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

## **Basis for Opinion**

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

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements 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.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2021 is described as follows:

#### Revenue recognition

The Group manufactures and sells plastic caps and PET bottles, PET preforms and provides beverage filling OEM services. Because revenue from the aforementioned main products is significant to both the Group's revenue and profit, we identified revenue recognition as a key audit matter. Refer to Note 4 to the consolidated financial statements for the accounting policies on revenue recognition.

The key audit procedures that we performed in respect of revenue recognition included the following:

1. We understood the design of the internal controls related to revenue recognition and tested the operating effectiveness of the key controls. We also sampled and tested the effective continued operations of the relevant controls.
2. We selected sample entries from the main products and checked the entries against the original orders, delivery orders, invoices and receipt vouchers. We also checked the entries against the documents acknowledged by customers for their receipts, deliveries and orders.

#### **Other Matter**

We did not audit the financial statements of Hon Chuan Vietnam Co., Ltd., Hon Chuan Malaysia Sdn. Bhd., Hon Chuan (Thailand) Co., Ltd. and Hon Chuan FD Packaging Co., Ltd., which are investees of the Group and are included in the consolidated financial statements as of and for the year ended December 31, 2021 and 2020, but such statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included in the Group's consolidated financial statements for these investees, is based solely on the reports of the other auditors. The total assets of the aforementioned investees were NTD4,040,075 thousand and NTD4,669,532 thousand, representing 12.04% and 14.73%, respectively, of the Group's consolidated assets as of December 31, 2021 and 2020. The total sales of the aforementioned investees were NTD3,075,600 thousand and NTD2,814,370 thousand, representing 14.38% and 14.55%, respectively, of the Group's consolidated net sales for the years ended December 31, 2021 and 2020.

We have also audited the parent company only financial statements of Taiwan Hon Chuan Enterprise Co., Ltd. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified report with other matter paragraph.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the

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

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

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

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

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

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



audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 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.

The engagement partners on the audits resulting in this independent auditors' report are Shao-Chun Wu and Hsiao-Feng Yen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
March 22, 2022

#### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# TAIWAN HON CHUAN ENTERPRISE CO., LTD.

## BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 911,993	3	\$ 380,172	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	16,640	-
Notes receivable from unrelated parties (Note 4)	180,418	1	143,800	1
Trade receivables from unrelated parties (Notes 4 and 9)	1,006,027	3	796,822	3
Trade receivables from related parties (Note 4 and 26)	20,958	-	13,245	-
Inventories (Notes 4 and 10)	1,024,130	4	802,404	3
Other current assets (Note 14 and 26)	<u>355,305</u>	<u>1</u>	<u>316,973</u>	<u>1</u>
Total current assets	<u>3,498,831</u>	<u>12</u>	<u>2,470,056</u>	<u>9</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	24,894	-	27,897	-
Long-term investments accounted for using the equity method (Notes 4 and 11)	19,971,100	66	19,581,361	68
Property, plant and equipment (Notes 4, 12 and 26)	6,260,952	20	5,605,344	20
Right-of-use assets (Notes 4 and 13)	336,932	1	353,289	1
Intangible assets (Note 4)	10,515	-	1,181	-
Deferred tax assets (Notes 4 and 21)	10,868	-	7,101	-
Prepayments for equipment	258,445	1	583,788	2
Other non-current assets (Note 14)	<u>32,143</u>	<u>-</u>	<u>32,092</u>	<u>-</u>
Total non-current assets	<u>26,905,849</u>	<u>88</u>	<u>26,192,053</u>	<u>91</u>
TOTAL	<u>\$ 30,404,680</u>	<u>100</u>	<u>\$ 28,662,109</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 2,067,000	7	\$ 1,414,376	5
Short-term bills payable (Note 15)	1,200,000	4	3,100,000	11
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	1,119	-
Notes payable to unrelated parties	29	-	637	-
Trade payables to unrelated parties	385,227	2	390,335	1
Trade payables to related parties (Note 26)	2,341	-	23,229	-
Current tax liabilities (Notes 4 and 21)	348,381	1	171,722	1
Lease liabilities - current (Notes 4 and 13)	14,797	-	14,623	-
Deferred revenue - current (Notes 4 and 23)	16,562	-	11,055	-
Current portion of long-term liabilities (Notes 4, 15 and 23)	955,744	3	46,980	-
Other current liabilities (Note 17)	<u>679,221</u>	<u>2</u>	<u>567,127</u>	<u>2</u>
Total current liabilities	<u>5,669,302</u>	<u>19</u>	<u>5,741,203</u>	<u>20</u>
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 16)	5,993,313	20	2,997,404	11
Long-term borrowings (Notes 4, 15 and 23)	4,862,932	16	6,409,706	22
Deferred tax liabilities (Notes 4 and 21)	24,283	-	24,283	-
Lease liabilities - non-current (Notes 4 and 13)	327,445	1	342,242	1
Deferred revenue - non-current (Notes 4 and 23)	59,786	-	52,014	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	3,144	-	13,996	-
Guarantee deposits received	<u>4,250</u>	<u>-</u>	<u>5,250</u>	<u>-</u>
Total non-current liabilities	<u>11,275,153</u>	<u>37</u>	<u>9,844,895</u>	<u>34</u>
Total liabilities	<u>16,944,455</u>	<u>56</u>	<u>15,586,098</u>	<u>54</u>
EQUITY				
Ordinary shares	2,877,859	9	2,877,859	10
Capital surplus	5,395,572	18	5,395,572	19
Retained earnings				
Legal reserve	1,821,033	6	1,670,003	6
Special reserve	2,311,175	7	1,955,038	7
Unappropriated earnings	3,909,801	13	3,488,714	12
Other equity	<u>(2,855,215)</u>	<u>(9)</u>	<u>(2,311,175)</u>	<u>(8)</u>
Total equity	<u>13,460,225</u>	<u>44</u>	<u>13,076,011</u>	<u>46</u>
TOTAL	<u>\$ 30,404,680</u>	<u>100</u>	<u>\$ 28,662,109</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 22, 2022)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
SALES (Notes 4 and 26)	\$ 8,013,934	100	\$ 7,911,048	100
COST OF GOODS SOLD (Notes 4, 10, 20 and 26)	<u>5,953,584</u>	<u>74</u>	<u>5,939,530</u>	<u>75</u>
GROSS PROFIT	<u>2,060,350</u>	<u>26</u>	<u>1,971,518</u>	<u>25</u>
OPERATING EXPENSES (Note 20)				
Selling and marketing expenses	649,234	8	568,879	7
General and administrative expenses	342,718	5	332,829	4
Research and development expenses	<u>85,582</u>	<u>1</u>	<u>80,355</u>	<u>1</u>
Total operating expenses	<u>1,077,534</u>	<u>14</u>	<u>982,063</u>	<u>12</u>
PROFIT FROM OPERATIONS	<u>982,816</u>	<u>12</u>	<u>989,455</u>	<u>13</u>
NON-OPERATING INCOME AND EXPENSES				
Other gains and losses (Notes 4 and 20)	32,570	-	14,504	-
Finance costs (Notes 4, 20 and 23)	(124,103)	(1)	(124,698)	(2)
Share of profit of subsidiaries (Note 4)	1,278,398	16	941,050	12
Interest income	703	-	362	-
Net foreign exchange loss (Note 4)	<u>(25,918)</u>	<u>-</u>	<u>(12,059)</u>	<u>-</u>
Total non-operating income and expenses	<u>1,161,650</u>	<u>15</u>	<u>819,159</u>	<u>10</u>
PROFIT BEFORE INCOME TAX	2,144,466	27	1,808,614	23
INCOME TAX EXPENSE (Notes 4 and 21)	<u>179,735</u>	<u>2</u>	<u>153,202</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>1,964,731</u>	<u>25</u>	<u>1,655,412</u>	<u>21</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	(1,019)	-	(5,390)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	(3,003)	-	(3,502)	-

(Continued)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
Share of the other comprehensive income of associates accounted for using the equity method (Note 11)	1,029	-	4,013	-
Income tax expense relating to items that will not be reclassified subsequently to profit or loss (Note 21)	204	-	1,078	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(541,699)</u>	<u>(7)</u>	<u>(356,648)</u>	<u>(5)</u>
Other comprehensive loss for the year, net of income tax	<u>(544,488)</u>	<u>(7)</u>	<u>(360,449)</u>	<u>(5)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,420,243</u>	<u>18</u>	<u>\$ 1,294,963</u>	<u>16</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 6.83</u>		<u>\$ 5.72</u>	
Diluted	<u>\$ 6.81</u>		<u>\$ 5.70</u>	

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

(With Deloitte & Touche auditors' report dated March 22, 2022)

(Concluded)

**TAIWAN HON CHUAN ENTERPRISE CO., LTD.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

	<div>Other Equity (Note 4)</div>								
			Retained Earnings (Notes 4, 18 and 19)			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Valiation Gain (Loss) on Investments in Equity Instruments at Fair Value Through Other Comprehensive Income	Treasury Shares (Note 19)	Total Equity
	Share Capital (Note 19)	Capital Surplus (Notes 4 and 19)	Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2020	\$ 2,928,789	\$ 5,485,872	\$ 1,531,899	\$ 1,745,301	\$ 3,204,905	\$ (1,943,166)	\$ (11,872)	\$ -	\$ 12,941,728
Appropriation of 2019 earnings									
Legal reserve	-	-	138,104	-	(138,104)	-	-	-	-
Special reserve	-	-	-	209,737	(209,737)	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(878,637)	-	-	-	(878,637)
Difference between consideration received or paid and the carrying amount of the subsidiaries’ net assets during actual disposal or acquisition	-	(4,627)	-	-	-	-	-	-	(4,627)
Donations from shareholders	-	7	-	-	-	-	-	-	7
Net profit for the year ended December 31, 2020	-	-	-	-	1,655,412	-	-	-	1,655,412
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(4,312)	(356,648)	511	-	(360,449)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,651,100	(356,648)	511	-	1,294,963
Buy-back of treasury shares	-	-	-	-	-	-	-	(277,423)	(277,423)
Cancellation of treasury shares	(50,930)	(85,680)	-	-	(140,813)	-	-	277,423	-
BALANCE AT DECEMBER 31, 2020	2,877,859	5,395,572	1,670,003	1,955,038	3,488,714	(2,299,814)	(11,361)	-	13,076,011
Appropriation of 2020 earnings									
Legal reserve	-	-	151,030	-	(151,030)	-	-	-	-
Special reserve	-	-	-	356,137	(356,137)	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(1,036,029)	-	-	-	(1,036,029)
Net profit for the year ended December 31, 2021	-	-	-	-	1,964,731	-	-	-	1,964,731
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(448)	(541,699)	(2,341)	-	(544,488)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,964,283	(541,699)	(2,341)	-	1,420,243
BALANCE AT DECEMBER 31, 2021	\$ 2,877,859	\$ 5,395,572	\$ 1,821,033	\$ 2,311,175	\$ 3,909,801	\$ (2,841,513)	\$ (13,702)	\$ -	\$ 13,460,225

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

(With Deloitte & Touche auditors' report dated March 22, 2022)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,144,466	\$ 1,808,614
Adjustments for:		
Depreciation and amortization expenses	725,318	632,346
Expected credit loss recognized on trade receivables	-	6,596
Net loss on fair value changes of financial assets and liabilities at fair value through profit or loss	-	2,584
Finance costs	124,103	124,698
Interest income	(703)	(362)
Share of gain of subsidiaries accounted for using the equity method	(1,278,398)	(941,050)
Loss on disposal of property, plant and equipment	995	745
Write-down of inventories	9,442	-
Unrealized net loss on foreign currency exchange	24,630	3,903
Reversal of deferred revenue	(14,573)	(8,197)
Net changes in operating assets and liabilities		
Financial instruments mandatorily classified as at fair value through profit or loss	15,521	24,347
Notes receivable	(36,618)	(3,921)
Trade receivables	(217,272)	282,668
Inventories	(231,168)	14,847
Other current assets	(38,434)	(2,404)
Notes payable	(608)	(16)
Trade payables	(25,974)	(95,790)
Other current liabilities	69,280	28,688
Net defined benefit liabilities	(11,871)	(12,534)
Deferred revenue	10,500	5,250
Cash generated from operations	1,268,636	1,871,012
Interest received	641	325
Interest paid	(101,206)	(110,674)
Income tax paid	(6,639)	(79,029)
Net cash generated from operating activities	<u>1,161,432</u>	<u>1,681,634</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Return of capital from financial assets at fair value through other comprehensive income	-	4,000
Proceeds from capital reduction of associates	337,467	-
Payments for property, plant and equipment	(848,127)	(528,462)
Proceeds from disposal of property, plant and equipment	11,056	1,508
Increase in refundable deposits	(1,517)	(3,303)
Payments for intangible assets	(10,922)	-
Increase in prepayments for equipment	(159,717)	(479,191)
Dividend received	10,522	379

(Continued)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Other investing activities	<u>-</u>	<u>(4,188)</u>
Net cash used in investing activities	<u>(661,238)</u>	<u>(1,009,257)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (repayments of) short-term borrowings	652,624	(685,088)
Increase (decrease) in short-term bills payable	(1,900,000)	1,725,000
Proceeds from issuance of bonds	2,994,700	-
Proceeds from long-term borrowings	2,030,208	2,608,546
Repayments of long-term borrowings	(2,670,000)	(970,000)
Increase (decrease) in guarantee deposits received	(1,000)	750
Repayment of the principal portion of lease liabilities	(14,623)	(13,162)
Dividends paid to owners of the Corporation	(1,036,029)	(878,637)
Payments for transaction costs attributable to the buy-back of ordinary shares	-	(277,423)
Acquisition of additional interests in subsidiaries	-	(1,959,651)
Unclaimed dividends after the expiry date	<u>-</u>	<u>7</u>
Net cash generated from (used in) financing activities	<u>55,880</u>	<u>(449,658)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(24,253)</u>	<u>(2,332)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	531,821	220,387
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>380,172</u>	<u>159,785</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 911,993</u>	<u>\$ 380,172</u>

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

(With Deloitte & Touche auditors' report dated March 22, 2022)

(Concluded)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,952,118	15	\$ 4,047,124	13
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	47,422	-
Notes receivable from unrelated parties (Note 4)	267,621	1	157,649	-
Trade receivables from unrelated parties (Notes 4 and 9)	3,454,535	10	2,877,346	9
Trade receivables from related parties (Notes 4 and 27)	2,773	-	1,507	-
Inventories (Notes 4 and 10)	2,990,817	9	2,297,006	7
Other current assets (Notes 15, 27 and 28)	<u>1,235,009</u>	<u>3</u>	<u>1,179,947</u>	<u>4</u>
Total current assets	<u>12,902,873</u>	<u>38</u>	<u>10,608,001</u>	<u>33</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	33,241	-	36,736	-
Long-term investments accounted for using the equity method (Notes 4 and 12)	13,849	-	15,543	-
Property, plant and equipment (Notes 4, 13 and 28)	17,197,599	51	16,654,786	53
Right-of-use assets (Notes 4 and 14)	1,169,916	4	1,199,985	4
Intangible assets (Note 4)	347,622	1	350,327	1
Deferred tax assets (Notes 4 and 22)	241,321	1	216,108	1
Prepayments for equipment	1,561,965	5	2,540,512	8
Other non-current assets (Note 15)	<u>75,631</u>	<u>-</u>	<u>70,512</u>	<u>-</u>
Total non-current assets	<u>20,641,144</u>	<u>62</u>	<u>21,084,509</u>	<u>67</u>
TOTAL	<u>\$ 33,544,017</u>	<u>100</u>	<u>\$ 31,692,510</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 2,617,521	8	\$ 1,594,452	5
Short-term bills payable (Note 16)	1,200,000	4	3,100,000	10
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	26	-	3,563	-
Notes payable to unrelated parties	195	-	1,191	-
Trade payables to unrelated parties	1,087,314	3	825,659	3
Current tax liabilities (Notes 4 and 22)	492,019	1	212,626	1
Lease liabilities - current (Notes 4 and 14)	46,548	-	45,875	-
Deferred revenue - current (Notes 4 and 24)	16,562	-	11,055	-
Current portion of long-term liabilities (Notes 4, 16 and 24)	955,744	3	46,980	-
Other current liabilities (Notes 18 and 27)	<u>1,390,426</u>	<u>4</u>	<u>1,140,521</u>	<u>3</u>
Total current liabilities	<u>7,806,355</u>	<u>23</u>	<u>6,981,922</u>	<u>22</u>
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 17)	5,993,313	18	2,997,404	9
Long-term borrowings (Notes 4, 16, 24 and 28)	4,929,313	15	7,187,039	23
Deferred tax liabilities (Notes 4 and 22)	76,558	-	77,344	-
Lease liabilities - non-current (Notes 4 and 14)	419,258	2	464,855	2
Deferred revenue - non-current (Notes 4 and 24)	60,484	-	53,882	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	35,611	-	13,996	-
Guarantee deposits received	<u>32,882</u>	<u>-</u>	<u>32,163</u>	<u>-</u>
Total non-current liabilities	<u>11,547,419</u>	<u>35</u>	<u>10,826,683</u>	<u>34</u>
Total liabilities	<u>19,353,774</u>	<u>58</u>	<u>17,808,605</u>	<u>56</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	2,877,859	9	2,877,859	9
Capital surplus	5,395,572	16	5,395,572	17
Retained earnings				
Legal reserve	1,821,033	5	1,670,003	5
Special reserve	2,311,175	7	1,955,038	6
Unappropriated earnings	3,909,801	12	3,488,714	11
Other equity	<u>(2,855,215)</u>	<u>(9)</u>	<u>(2,311,175)</u>	<u>(7)</u>
Total equity attributable to owners of the Corporation	13,460,225	40	13,076,011	41
NON-CONTROLLING INTERESTS	<u>730,018</u>	<u>2</u>	<u>807,894</u>	<u>3</u>
Total equity	<u>14,190,243</u>	<u>42</u>	<u>13,883,905</u>	<u>44</u>
TOTAL	<u>\$ 33,544,017</u>	<u>100</u>	<u>\$ 31,692,510</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 22, 2022)



# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
SALES (Notes 4 and 27)	\$ 21,382,534	100	\$ 19,348,249	100
COST OF GOODS SOLD (Notes 4, 10, 21 and 27)	<u>16,471,847</u>	<u>77</u>	<u>15,242,548</u>	<u>79</u>
GROSS PROFIT	<u>4,910,687</u>	<u>23</u>	<u>4,105,701</u>	<u>21</u>
OPERATING EXPENSES (Notes 21 and 27)				
Selling and marketing expenses	1,003,197	5	908,369	5
General and administrative expenses	972,623	5	915,425	5
Research and development expenses	<u>106,895</u>	<u>-</u>	<u>92,061</u>	<u>-</u>
Total operating expenses	<u>2,082,715</u>	<u>10</u>	<u>1,915,855</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>2,827,972</u>	<u>13</u>	<u>2,189,846</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES				
Other gains and losses (Notes 4, 12, 21 and 31)	(9,951)	-	83,278	1
Finance costs (Notes 4, 21 and 24)	(138,183)	-	(167,767)	(1)
Interest income	52,197	-	51,541	-
Net foreign exchange loss (Note 4)	<u>(27,062)</u>	<u>-</u>	<u>(1,585)</u>	<u>-</u>
Total non-operating income and expenses	<u>(122,999)</u>	<u>-</u>	<u>(34,533)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	2,704,973	13	2,155,313	11
INCOME TAX EXPENSE (Notes 4 and 22)	<u>676,615</u>	<u>3</u>	<u>424,573</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>2,028,358</u>	<u>10</u>	<u>1,730,740</u>	<u>9</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	(548)	-	(5,390)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(2,341)	-	511	-
Income tax expense relating to items that will not be reclassified subsequently to profit or loss (Note 22)	100	-	1,078	-

(Continued)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ (626,903)	(3)	\$ (361,082)	(2)
Other comprehensive loss for the year, net of income tax	(629,692)	(3)	(364,883)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 1,398,666	7	\$ 1,365,857	7
NET INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,964,731	9	\$ 1,655,412	9
Non-controlling interests	63,627	-	75,328	-
	\$ 2,028,358	9	\$ 1,730,740	9
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,420,243	7	\$ 1,294,963	7
Non-controlling interests	(21,577)	-	70,894	-
	\$ 1,398,666	7	\$ 1,365,857	7
EARNINGS PER SHARE (Note 23)				
Basic	\$ 6.83		\$ 5.72	
Diluted	\$ 6.81		\$ 5.70	

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

(With Deloitte & Touche auditors' report dated March 22, 2022) (Concluded)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation										
	Share Capital (Note 20)	Capital Surplus (Notes 4 and 20)	Retained Earnings (Notes 4, 19 and 20)			Other Equity (Note 4)		Treasury Shares (Note 20)	Total	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Investments in Equity Instruments at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2020	\$ 2,928,789	\$ 5,485,872	\$ 1,531,899	\$ 1,745,301	\$ 3,204,905	\$ (1,943,166)	\$ (11,872)	\$ -	\$ 12,941,728	\$ 786,409	\$ 13,728,137
Appropriation of 2019 earnings											
Legal reserve	-	-	138,104	-	(138,104)	-	-	-	-	-	-
Special reserve	-	-	-	209,737	(209,737)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(878,637)	-	-	-	(878,637)	-	(878,637)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	9,247	9,247
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(62,383)	(62,383)
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	(4,627)	-	-	-	-	-	-	(4,627)	3,727	(900)
Donations from shareholders	-	7	-	-	-	-	-	-	7	-	7
Net profit for the year ended December 31, 2020	-	-	-	-	1,655,412	-	-	-	1,655,412	75,328	1,730,740
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(4,312)	(356,648)	511	-	(360,449)	(4,434)	(364,883)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,651,100	(356,648)	511	-	1,294,963	70,894	1,365,857
Buy-back of treasury shares	-	-	-	-	-	-	-	(277,423)	(277,423)	-	(277,423)
Cancellation of treasury shares	(50,930)	(85,680)	-	-	(140,813)	-	-	277,423	-	-	-
BALANCE AT DECEMBER 31, 2020	2,877,859	5,395,572	1,670,003	1,955,038	3,488,714	(2,299,814)	(11,361)	-	13,076,011	807,894	13,883,905
Appropriation of 2020 earnings											
Legal reserve	-	-	151,030	-	(151,030)	-	-	-	-	-	-
Special reserve	-	-	-	356,137	(356,137)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(1,036,029)	-	-	-	(1,036,029)	-	(1,036,029)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(13,705)	(13,705)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(42,594)	(42,594)
Net profit for the year ended December 31, 2021	-	-	-	-	1,964,731	-	-	-	1,964,731	63,627	2,028,358
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(448)	(541,699)	(2,341)	-	(544,488)	(85,204)	(629,692)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,964,283	(541,699)	(2,341)	-	1,420,243	(21,577)	1,398,666
BALANCE AT DECEMBER 31, 2021	\$ 2,877,859	\$ 5,395,572	\$ 1,821,033	\$ 2,311,175	\$ 3,909,801	\$ (2,841,513)	\$ (13,702)	\$ -	\$ 13,460,225	\$ 730,018	\$ 14,190,243

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

(With Deloitte & Touche auditors' report dated March 22, 2022)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,704,973	\$ 2,155,313
Adjustments for:		
Depreciation and amortization expenses	2,289,724	2,288,342
Expected credit loss recognized on trade receivables	19,186	20,372
Net loss on fair value changes of financial assets and liabilities at fair value through loss	29,216	3,785
Finance costs	138,183	167,767
Interest income	(52,197)	(51,541)
Dividend income	-	(627)
Share of loss of associates accounted for using the equity method	1,272	32
Loss on disposal of property, plant and equipment	54,683	14,555
Write-down of inventories	16,739	8,473
Unrealized net loss on foreign currency exchange	41,810	12,268
Loss (gain) on lease modification	(163)	45
Reversal of deferred revenue	(15,734)	(10,918)
Net changes in operating assets and liabilities		
Financial instruments mandatorily classified as at fair value through profit or loss	14,171	22,314
Notes receivable	(111,100)	(15,346)
Trade receivables	(667,806)	183,567
Inventories	(770,599)	103,909
Other current assets	(94,847)	54,527
Notes payable	(944)	(3,549)
Trade payables	287,009	(156,306)
Other current liabilities	197,550	(69,154)
Net defined benefit liabilities	5,142	(12,534)
Deferred revenue	10,500	5,250
Cash generated from operations	4,096,768	4,720,544
Interest received	51,199	51,503
Interest paid	(114,945)	(153,483)
Income tax paid	(426,644)	(395,825)
Net cash generated from operating activities	<u>3,606,378</u>	<u>4,222,739</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Return of capital from financial assets at fair value through other comprehensive income	-	4,000
Payments for property, plant and equipment	(1,133,838)	(905,189)
Proceeds from disposal of property, plant and equipment	30,371	79,169
Decrease (increase) in refundable deposits	5,737	(14,233)
Payments for intangible assets	(12,316)	(2,272)
Payments for right-of-use assets	(39,020)	(57,770)

(Continued)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
Increase in other non-current assets	(31,619)	(32,484)
Increase in prepayments for equipment	(1,002,029)	(2,141,396)
Dividend received	-	627
Net cash used in investing activities	<u>(2,182,714)</u>	<u>(3,069,548)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	1,023,906	(1,949,740)
Increase (decrease) in short-term bills payable	(1,900,000)	1,725,000
Proceeds from issuance of bonds	2,994,700	-
Proceeds from long-term borrowings	2,031,511	3,609,457
Repayments of long-term borrowings	(3,344,069)	(3,228,669)
Proceeds from guarantee deposits received	901	-
Increase in lease payables	-	16,606
Repayment of the principal portion of lease liabilities	(50,063)	(47,277)
Dividends paid to owners of the Corporation	(1,036,029)	(878,637)
Payments for transaction costs attributable to the buy-back of ordinary shares	-	(277,423)
Acquisition of additional interests in subsidiary	-	(900)
Changes in non-controlling interests	(13,705)	9,247
Dividends paid to non-controlling interests	(42,594)	(62,383)
Unclaimed dividends after the expiry date	-	7
Net cash used in financing activities	<u>(335,442)</u>	<u>(1,084,712)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(183,228)</u>	<u>40,360</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	904,994	108,839
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,047,124</u>	<u>3,938,285</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,952,118</u>	<u>\$ 4,047,124</u>

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

(With Deloitte & Touche auditors' report dated March 22, 2022)

(Concluded)

# **Taiwan Hon Chuan Enterprise Co., Ltd.**

## **Audit Committees' Review Report**

We hereby state as following:

This proposal is the presentation by the Board of Directors of the Company's 2021 Business Report, Financial Statements, and the Profit Allocation Proposal. Of these items, the Individual and Consolidated Financial Statements have been audited by external auditors Wu, Shao Chun and Yen, Hsiao-Feng of Deloitte & Touche, Taiwan, and an opinion and report have been issued on the Financial Statements. The aforementioned items have been reviewed and determined to be correct and accurate by the Audit Committee. Per the regulations in Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To

2022 Annual Shareholders' Meeting of Taiwan Hon Chuan Enterprise Co., Ltd.

### **Taiwan Hon Chuan Enterprise Co., Ltd.**

Audit Committee      Chairman : Hung, Chao - Nan

Commissioner : Huang, Hsiang - Ying

Commissioner : Kung, Yi - Lu

March 22, 2022

## Attachment 4

# Taiwan Hon Chuan Enterprise Co., Ltd.

## Proposal for Distribution of 2021 Profits

Items	Subtotal	Unit : NTD Amount
<b>Unappropriated retained earnings of previous years</b>		1,945,519,993
2021 after-tax net income	1,964,730,343	
Remeasurement of defined benefit obligation	(815,122)	
Retired treasury stock debited to retained earnings	<u>367,515</u>	
<b>After-tax net income and other profit items adjusted to the current year's undistributed earnings other than after-tax net income</b>		1,964,282,736
Legal capital reserve		(196,428,274)
Special reserve		<u>(544,040,378)</u>
<b>Retained Earnings Available for Distribution as of 2021</b>		3,169,334,077
Shareholders' Dividend - Cash (NTD\$ 4.3 per share)		<u>(1,237,479,280)</u>
<b>Unappropriated Retained Earnings</b>		<u><u>1,931,854,797</u></u>

(Note1) Shareholders' Dividend -- Cash :

287,785,879 shares \* NT\$ 4.3 = NT\$ 1,237,479,280.

(Note2) The cash dividend distribution will be calculated to the nearest NT dollar. For fractional shares distributed which are less than one dollar that will be included in the Company's other revenue.

(Note3) In response to the implementation of Imputation System, when computing tax levied at the rate of 5% on undistributed surplus earnings in accordance with Article 66-9 of Income Tax Act, the Company will adopt specific identification method to distribute preferably from earnings of recent years based upon official letter No. 871941343 issued by Ministry of Finance on April 30, 1998.

(Note4) Afterward, if there is any reason to influence the total amount of outstanding shares of the Company, based on the proposed total amount of cash distributed to shareholders which resolved by this shareholders' meeting and actual amount of outstanding shares on the base day of interest distribution, please authorize the Board of Directors to adjust distribution rate.

### Explanatory Notes :

Unappropriated retained earnings of previous years : It represents the unappropriated retained earnings after making distribution of 2020 profits by the resolution of 2021 Shareholders' Meeting and is compiled based upon TIFRS GAAP.

Chairman :  
**Dai, Hung-Chuan**

President :  
**Tsao, Hsih-Chung**

Chief Accounting officer :  
**Cheng, Ya-Wen**

# Taiwan Hon Chuan Enterprise Co., Ltd.

## “Articles of Incorporation” Amendment Comparison Table

Date : 2022.06.17 (Amended)

Article No.	Original	Proposed Revision	Description
<b>Article 10</b>	Shareholders' meetings of the Company are of two kinds: ordinary shareholders' meetings and extraordinary shareholders' meetings. Ordinary shareholders' meeting shall be convened at least once a year within six months after the close of each accounting year; extraordinary shareholders' meetings shall be convened in accordance with the law whenever necessary.	Shareholders' meetings of the Company are of two kinds: ordinary shareholders' meetings and extraordinary shareholders' meetings. Ordinary shareholders' meeting shall be convened at least once a year within six months after the close of each accounting year; extraordinary shareholders' meetings shall be convened in accordance with the law whenever necessary.  <u>The Company's shareholders' meeting can be held by means of video conference or other methods promulgated by the central competent authority.</u>	Amended in accordance with the applicable regulations
<b>Article 32</b>	These Articles of Incorporation were adopted on 16 June 1969. .... The 44th Amendment was made on 19 June 2019.	These Articles of Incorporation were adopted on 16 June 1969. .... The 44th Amendment was made on 19 June 2019. <u>The 45th Amendment was made on 17 June 2021.</u>	Add revision date



**Taiwan Hon Chuan Enterprise Co., Ltd.**  
**“Procedures for Acquisition or Disposal of Asset”**  
**Amendment Comparison Table**

Date : 2022.06.17 (Amended)

Article No.	Original	Proposed Revision	Description
<b>Article 4</b>	<p><b>Appraisal Procedures</b></p> <p>1. In acquisition or disposal of Real Property, equipment or its right-of-use assets where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, unless otherwise transacting with a government agency, engaging others to build on the land owned or rented by the Company, or acquiring or disposing of equipment or its right-of-use assets for operating purpose, the Company (including the subsidiaries) shall obtain an appraisal report prior to the date of occurrence from a professional appraiser and shall further comply with the following provisions:</p> <p>1-2 If the discrepancy between the appraisal result of professional appraiser and the transaction amount reaches 20% or more of the transaction amount, 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, the Company should request a certified public</p>	<p><b>Appraisal Procedures</b></p> <p>1. In acquisition or disposal of Real Property, equipment or its right-of-use assets where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, unless otherwise transacting with a government agency, engaging others to build on the land owned or rented by the Company, or acquiring or disposing of equipment or its right-of-use assets for operating purpose, the Company (including the subsidiaries) shall obtain an appraisal report prior to the date of occurrence from a professional appraiser and shall further comply with the following provisions:</p> <p>1-2 If the discrepancy between the appraisal result of professional appraiser and the transaction amount reaches 20% or more of the transaction amount, 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, the Company should request a certified public</p>	Amended in accordance with the applicable regulations

Article No.	Original	Proposed Revision	Description
	<p>accountant to <u>handle the matter in accordance with the provision of Auditing Standard No.20 Article 13</u> and comment on the reason for the discrepancy and the fairness of the transaction amount. The discrepancy between the appraisal result and the transaction amount should be calculated based on the transaction amount.</p> <p>1-3 Where the transaction amount reaches NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained. If the discrepancy between the appraisal results of two or more professional appraisers reaches 10% or more of the transaction amount, or the discrepancy between the appraisal result and the transaction amount reaches 20% or more of the transaction amount, 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, the Company should request a certified public accountant to <u>handle the matter in accordance with the provision of Auditing Standard No.20</u></p>	<p>accountant to <u>comply with the self-regulatory rules of the industry associations to which they belong</u> and comment on the reason for the discrepancy and the fairness of the transaction amount. The discrepancy between the appraisal result and the transaction amount should be calculated based on the transaction amount.</p> <p>1-3 Where the transaction amount reaches NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained. If the discrepancy between the appraisal results of two or more professional appraisers reaches 10% or more of the transaction amount, or the discrepancy between the appraisal result and the transaction amount reaches 20% or more of the transaction amount, 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, the Company should request a certified public accountant to <u>comply with the self-regulatory rules of the industry associations to which</u></p>	

Article No.	Original	Proposed Revision	Description
	<p><u>Article 13</u> and comment on the reason for the discrepancy and the fairness of the transaction amount.</p> <p>2. The latest financial statements of the target company audited or reviewed by the certified public accountants shall be obtained prior to occurrence of the event for use as a reference to determine the transaction price of any acquisition or disposal of the securities. If one of the following circumstances exists, A certified public accountant shall be retained to issue a fairness opinion on the transaction price prior to occurrence of such event, if the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more: <u>the certified public accountant shall carry out in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation of the Republic of China (ARDF).</u></p>	<p><u>they belong</u> and comment on the reason for the discrepancy and the fairness of the transaction amount.</p> <p>2. The latest financial statements of the target company audited or reviewed by the certified public accountants shall be obtained prior to occurrence of the event for use as a reference to determine the transaction price of any acquisition or disposal of the securities. If one of the following circumstances exists, A certified public accountant shall be retained to issue a fairness opinion on the transaction price prior to occurrence of such event, if the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, <u>shall comply with the self-regulatory rules of the industry associations to which they belong.</u></p> <p>2-1 Acquisition or disposal of securities which is not purchased and sold in Taiwan Stock Exchange Corporation or Gre Tai Securities Market.</p> <p>2-2 Acquisition or disposal of private placements of securities.</p>	

Article No.	Original	Proposed Revision	Description
	<p>5. 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>5-1 May not have previously received a final and unappeasable sentence to imprisonment for 1 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 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>5-2 May not be a related party or de facto related party of any party to the transaction.</p> <p>5-3 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</p>	<p>5. 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>5-1 May not have previously received a final and unappeasable sentence to imprisonment for 1 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 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>5-2 May not be a related party or de facto related party of any party to the transaction.</p> <p>5-3 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</p>	

Article No.	Original	Proposed Revision	Description
	<p>de facto related parties of each other.</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <ol style="list-style-type: none"> <li>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</li> <li>2. When <u>examining</u> 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.</li> <li>3. They shall undertake an item-by-item evaluation of the <u>comprehensiveness, accuracy,</u> 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.</li> <li>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</li> </ol>	<p>de facto related parties of each other.</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph <u>shall comply with the self-regulatory rules of the industry associations to which they belong and with the following provisions:</u></p> <ol style="list-style-type: none"> <li>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</li> <li>2. When <u>conducting</u> 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.</li> <li>3. They shall undertake an item-by-item evaluation of the <u>appropriateness</u> 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.</li> <li>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is <u>appropriate</u> and reasonable and accurate, and that they have complied with applicable laws and regulations.</li> </ol>	

Article No.	Original	Proposed Revision	Description
<b>Article 5</b>	<p><b>Related Party Transactions</b></p> <p>2. When the Company intends to acquire or dispose of real property or its right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real property or its right-of-use assets from or to a related party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except for trading in government bonds, bond trading with repurchase and/or reverse purchase arrangement, or subscription or redemption of domestic money market funds which issued by Domestic Securities Investment Trust Enterprises, the Company may not proceed to enter into a transaction contract and make a payment until the following matters have been approved by the Audit Committee and the Board of Directors:</p> <p>(be omitted)</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Board of Directors may pursuant to Article 3, paragraph 1 delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted</p>	<p><b>Related Party Transactions</b></p> <p>2. When the Company intends to acquire or dispose of real property or its right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real property or its right-of-use assets from or to a related party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except for trading in government bonds, bond trading with repurchase and/or reverse purchase arrangement, or subscription or redemption of domestic money market funds which issued by Domestic Securities Investment Trust Enterprises, the Company may not proceed to enter into a transaction contract and make a payment until the following matters have been approved by the Audit Committee and the Board of Directors:</p> <p>(be omitted)</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Board of Directors may pursuant to Article 3, paragraph 1 delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified at the</p>	Amended in accordance with the applicable regulations

Article No.	Original	Proposed Revision	Description
	<p>to and ratified at the next Board of Directors' meeting:</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</li> <li>2. Acquisition or disposal of real property right-of-use assets held for business use.</li> </ol>	<p>next Board of Directors' meeting:</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</li> <li>2. Acquisition or disposal of real property right-of-use assets held for business use.</li> </ol> <p><u>If the Company or the Company's subsidiary that is not a domestic public company engages in a transaction set out in paragraph 1, and the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall submit the materials in all the subparagraphs of paragraph 1 to the shareholders meeting for approval before entering the transaction contract and making any payment . However, this restriction does not apply to transactions between the Company and its parent company or subsidiaries or between its subsidiaries.</u></p> <p><u>The calculation of the transaction amounts referred to in the preceding articles shall be made in accordance with Article 8-2 herein, and "within one year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a certified public accountant's opinion has been obtained may be excluded.</u></p>	
Article 8	<p><b>The procedures for Public Announcement</b></p> <p>Under any of the following</p>	<p><b>The procedures for Public Announcement</b></p> <p>Under any of the following</p>	Amended in accordance with the

Article No.	Original	Proposed Revision	Description
	<p>circumstances, when acquiring or disposing of assets, the Company shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by laws and regulations within two days commencing immediately from the Date of Occurrence:</p> <p>(be omitted)</p> <p>7. Where an asset transaction other than any of those referred to in the previous 6 subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>7-1 Trading of domestic government bonds.</p> <p>7-2 Where done by professional investors—securities trading on foreign or domestic securities exchanges or over-the-counter markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the domestic primary market, or subscription or redemption of securities investment</p>	<p>circumstances, when acquiring or disposing of assets, the Company shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by laws and regulations within two days commencing immediately from the Date of Occurrence:</p> <p>(be omitted)</p> <p>7. Where an asset transaction other than any of those referred to in the previous 6 subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>7-1 Trading of domestic government bonds <u>or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.</u></p> <p>7-2 Where done by professional investors—securities trading on foreign or domestic securities exchanges or over-the-counter markets, or subscription of <u>foreign government bonds</u>, or of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the domestic primary market, or subscription</p>	<p>applicable regulations</p>



Article No.	Original	Proposed Revision	Description
	<p>trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>(be omitted)</p>	<p>or redemption of securities investment trust funds or futures trust funds, <u>or</u> <u>subscription or redemption of exchange traded notes,</u> or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>(be omitted)</p>	