



TAIWAN HON CHUAN GROUP

Stock Code 9939

Annual Shareholders' Meeting 2022 Meeting Agenda

(Translation)



-----DISCLAIMER-----

This is a translation of the agenda for the 2022 annual shareholders' meeting. The translation is intended for reference only and no other purpose, and may subject to change if there is any change in the actual agenda handed out on the date of this meeting. Taiwan Hon Chuan Enterprise Co., Ltd. hereby disclaims any and all liabilities whatsoever for the translation. The Chinese text of the agenda shall govern any and all matters related to the interpretation of the subject matter stated herein.

Table of Contents

1. Meeting Procedure	1
2. Meeting Agenda	2
(1) Report Items	3
(2) Approvals	5
(3) Discussion Items	5
(4) Other Business and Special Motions	6
3. Attachment	
(1) 2021 Business Report	7
(2) 2021 Financial Statements and Independent Auditors' Report	9
(3) Audit Committee's Review Report	29
(4) Proposal for 2021 Profit Distribution	30
(5) Comparison Table for Articles of Incorporation before and after Amendment	31
(6) Comparison Table for Procedures for Acquisition or Disposal of Assets before and after Amendment	32
4. Appendix	
(1) Rules and Procedures for shareholders' meeting	40
(2) Articles of Incorporation (Original)	44
(3) Procedures for Acquisition or Disposal of Assets (Original)	51
(4) Shareholdings of the Directors	65

1 、 Meeting Procedure

Taiwan Hon Chuan Enterprise Co., Ltd.

Procedure for the 2021 Annual Meeting of Shareholders

- 1. Call to Order**
- 2. Chairman's Opening remarks**
- 3. Report Items**
- 4. Approvals**
- 5. Discussion Items**
- 6. Other Business and Special Motion**
- 7. Meeting Adjourned**

2 、 Meeting Agenda

Taiwan Hon Chuan Enterprise Co., Ltd.

2022 Annual Shareholders' Meeting Agenda

(Translation)

Convening Meeting : For physical shareholders meeting

Time : 9:00 a.m., June 17, 2022

Place : Hon Chuan Headquarters (International Convention Hall)

(3F, No.6, 2 Rd., Taichung Industrial Park, Taiwan)

Meeting Procedure :

1. Call to Order

2. Chairman's Opening remarks

3. Report Items

- (1) 2021 Business Report
- (2) Audit Committee's Review Report on the 2021 Financial Statements
- (3) Distribution of Cash Dividend from 2021 Earnings
- (4) 2021 Employees' Compensation and Directors' Remuneration Report
- (5) Issuance of the Domestic Unsecured Ordinary Corporate Bonds Report

4. Approvals

- (1) 2021 Financial Statements and Business Report
- (2) 2021 Profit Distribution Proposal

5. Discussion Items

- (1) Amendments to Articles of Incorporation
- (2) Amendments to Procedures for Acquisition or Disposal of Assets

6. Other Business and Special Motion

7. Meeting Adjourned

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. (Please refer to page 7~28)
- (2) Please review.

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. (page 9~29)
- (2) Please review.

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.

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 Remuneration Committee and Audit Committee on March 22, 2022.

(5) Please review.

Item 5 : Issuance of the Domestic Unsecured Ordinary Corporate Bonds Report

Please submit for review.

Explanatory Notes :

(1) The Company issues the 1st 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 st 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.

(2) Please review.

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. (Please refer to page 9~28)
- (3) Please ratify.

Resolution :

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 (page 30)
 - 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 :

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 videoconference or other methods promulgated by the central competent authority."

Please refer to page 31 (Attachment 5) for details of the proposed amendments.

(3) Please proceed to discuss.

Resolution :

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 (page 32~39) for details of the proposed amendments.

(3) Please proceed to discuss.

Resolution :

Other Business and Special Motion

Meeting Adjourned

3 、 Attachment

Attachment 1

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)	355,305	1	316,973	1
Total current assets	3,498,831	12	2,470,056	9
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)	32,143	-	32,092	-
Total non-current assets	26,905,849	88	26,192,053	91
TOTAL	\$ 30,404,680	100	\$ 28,662,109	100
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)	679,221	2	567,127	2
Total current liabilities	5,669,302	19	5,741,203	20
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	4,250	-	5,250	-
Total non-current liabilities	11,275,153	37	9,844,895	34
Total liabilities	16,944,455	56	15,586,098	54
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	(2,855,215)	(9)	(2,311,175)	(8)
Total equity	13,460,225	44	13,076,011	46
TOTAL	\$ 30,404,680	100	\$ 28,662,109	100

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)**

	Share Capital (Note 19)	Capital Surplus (Notes 4 and 19)	Retained Earnings (Notes 4, 18 and 19)			Other Equity (Note 4)		Treasury Shares (Note 19)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	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		
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)

	For the Year Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
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>
CASH FLOWS FROM INVESTING ACTIVITIES		
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)

	For the Year Ended December 31	
	2021	2020
Other investing activities	<u>-</u>	<u>(4,188)</u>
Net cash used in investing activities	<u>(661,238)</u>	<u>(1,009,257)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
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>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(24,253)</u>	<u>(2,332)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	531,821	220,387
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>380,172</u>	<u>159,785</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<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
CASH FLOWS FROM OPERATING ACTIVITIES		
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>
CASH FLOWS FROM INVESTING ACTIVITIES		
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	<u>-</u>	<u>627</u>
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	<u>-</u>	<u>7</u>
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

Taiwan Hon Chuan Enterprise Co., Ltd.

Proposal for Distribution of 2021 Profits

Items	Subtotal	Unit : NTD Amount
Unappropriated retained earnings of previous years		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>	
After-tax net income and other profit items adjusted to the current year's undistributed earnings other than after-tax net income		1,964,282,736
Legal capital reserve		(196,428,274)
Special reserve		<u>(544,040,378)</u>
Retained Earnings Available for Distribution as of 2021		3,169,334,077
Shareholders' Dividend - Cash (NTD\$ 4.3 per share)		<u>(1,237,479,280)</u>
Unappropriated Retained Earnings		<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
Article 10	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
Article 32	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
Article 4	<p>Appraisal Procedures</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 accountant to handle the</p>	<p>Appraisal Procedures</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 accountant to <u>comply with the self-regulatory rules of</u></p>	Amended in accordance with the applicable regulations

Article No.	Original	Proposed Revision	Description
	<p><u>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 Article 13</u> and comment on the reason for the discrepancy and the fairness of the transaction amount.</p>	<p><u>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 they belong</u> and comment on the reason for the discrepancy and the fairness of the transaction amount.</p>	

Article No.	Original	Proposed Revision	Description
	<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.</p> <p>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>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</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.</p> <p>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> <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</p>	

Article No.	Original	Proposed Revision	Description
	<p>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 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>	<p>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 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>	

Article No.	Original	Proposed Revision	Description
	<ol style="list-style-type: none"> 1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence. 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. 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. 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. 	<ol style="list-style-type: none"> 1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence. 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. 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. 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. 	
Article 5	<p>Related Party Transactions</p> <ol style="list-style-type: none"> 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 	<p>Related Party Transactions</p> <ol style="list-style-type: none"> 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 	Amended in accordance with the applicable regulations

Article No.	Original	Proposed Revision	Description
	<p>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 next Board of Directors' meeting:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use. 2. Acquisition or disposal of real property right-of-use assets held for business use. 	<p>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 next Board of Directors' meeting:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use. 2. Acquisition or disposal of real property right-of-use assets held for business use. <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</u></p>	

Article No.	Original	Proposed Revision	Description
	<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>	<p><u>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 paragraph 1 and the preceding paragraph shall be made in accordance with Article 8, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the shareholders meeting or board of directors and recognized by the supervisors need not be counted toward the transaction amount.</u></p>	
Article 8	<p>The procedures for Public Announcement</p> <p>Under any of the following 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</p>	<p>The procedures for Public Announcement</p> <p>Under any of the following 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</p>	Amended in accordance with the applicable regulations

Article No.	Original	Proposed Revision	Description
	<p>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 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>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 or redemption of securities investment trust funds or futures trust funds, <u>or 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>	

4 、 Appendix

Appendix 1

Taiwan Hon Chuan Enterprise Co., Ltd

Rules and Procedures for Shareholders' Meeting

Article 1

Shareholders' Meeting of the Company (the "Meeting") shall be conducted in accordance with the Rules and Procedures for Shareholders' Meeting ("Rules"). Any matters not provided herein shall be handled in accordance with the Articles of Incorporation, Company Law, and other relevant laws and regulation.

Article 2

The term "shareholders" set forth herein includes the shareholders themselves and the proxies authorized by shareholders.

Article 3

The Company shall specify in its shareholders' meeting notices the time to register for the Meeting, the place to register for attendance, and other matters for attention.

The time for shareholders to register, as stated in the preceding paragraph, shall start at least 30 minutes prior to the time the Meeting commences. The place for registration shall be clearly marked and a sufficient number of qualified staffs shall be assigned to handle the registrations.

Shareholders and their proxies (collectively, "shareholders") shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

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

When the government or a legal entity is a shareholder, it may be represented by more than one representative at Meeting.

When a legal entity is appointed to attend as proxy, it may designate only one representative to attend the Meeting.

Article 4

Chairman shall call the Meeting to order at the time scheduled for the Meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the

aggregate.

If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one - third of the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of the Company Law of the Republic of China. The aforesaid tentative resolutions shall be executed in accordance with relevant provisions of the Company Law of the Republic of China.

If during the process of the Meeting the number of outstanding shares represented by the shareholders present becomes sufficient to constitute the quorum, the chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Law of the Republic of China.

Article 5

The agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda. The above provision applies mutatis mutandis to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting.

Article 6

During the Meeting, the chairman may, at his discretion, set time for intermission.

Article 7

Except the motions enumerated on the agenda, any new motion, or any amendment or alternative for one motion shall be seconded by other shareholders.

Article 8

When a shareholder present at the Meeting wishes to speak, a Speech Note should be filled out with summary of the speech, the shareholder's number (or the number of Attendance Card) and the name of the shareholder. The sequence of speeches by shareholders should be decided by the chairman.

If a corporate shareholder designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.

If any shareholder present at the Meeting submits a Speech Note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the Speech Note, the contents of actual speech shall prevail. Unless otherwise permitted by the chairman and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholders; otherwise the chairman shall stop such interruption.

Article 9

The Chairman of the Board of Directors shall be the chairman presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. If, for any reason, the Chairman of the Board of Directors cannot preside at the Meeting, the Vice Chairman of the Board of Directors or one of the Directors shall preside at the Meeting. In the event that another person is entitled to convene the Meeting, such person shall be the chairman to preside at the Meeting.

In the event that a director is appointed to chair a meeting as the substitute for the chairperson as mentioned in the preceding paragraph, such director shall be the one who has served as a director for a minimum of six months and who is fully aware of the Company's financial standing. This same provision is equally mutatis mutandis applicable to an event where the chairperson is the representative of an institutional or corporate director.

Article 10

The Company may invite its lawyers, CPAs or other related persons to attend the Meeting. The staff handling affairs of the Meeting shall wear identification cards or badges.

Article 11

Unless otherwise permitted by the chairman, each shareholder shall not, for each discussion item, speak more than two times (each time not exceeding 5 minutes). In case the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the chairman may stop the speech of such shareholder.

Article 12

The chairman may announce to end the discussion of any resolution and go into voting if the Chairman deems it appropriate.

Article 13

If there is an amendment or alternative for one motion, the chairman may combine the amendment or alternative into the original motion, and decide the orders for resolution. If any one of them has been resolved, the others shall be deemed rejected and no further voting is necessary.

Article 14

The person(s) supervising the casting of votes and counting the ballots shall be appointed by the chairman. The person(s) supervising the casting of votes shall be a shareholder(s). The result of voting shall be announced at the Meeting and written into records.

Article 15

The Company, beginning from the time it accepts shareholders' registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.

The recorded materials of the preceding paragraph shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 16

Unless otherwise provided by the Company Act or the Company's Articles of Incorporation, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the meeting.

Relevant motions shall be resolved by way of vote on a case-by-case basis with sufficient voting time allowed.

Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote. The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by The Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected.

Article 17

These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

Taiwan Hon Chuan Enterprise Co., Ltd.

Articles of Incorporation (Original)

Chapter 1 General Principles

Article 1 The Company is duly incorporated in accordance with Company Act, with the name of 宏全國際股份有限公司 and the English name of Taiwan Hon Chuan Enterprise Co., Ltd. (hereinafter referred to as the Company).

Article 2 The scope of business of the Company shall be as follows :

1. C805010 Plastic Sheets, Pipes and Tubes Manufacturing.
2. C805990 Other Plastic Products Manufacturing.
3. C110010 Beverage Manufacturing.
4. C102010 Dairy Products Manufacturing.
5. CB01010 Machinery and Equipment Manufacturing.
6. CB01990 Other Machinery Manufacturing Not Elsewhere Classified.
7. F206030 Retail Sale of Die.
8. F206010 Retail Sale of Ironware.
9. CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere Classified.
10. CA02010 Metal Architectural Components Manufacturing.
11. CA02060 Metal Containers Manufacturing.
12. C801100 Synthetic Resin & Plastic Manufacturing.
13. C701010 Printing.
14. C805020 Plastic Sheets & Bags Manufacturing.
15. C805030 Plastic Made Grocery Manufacturing.
16. CC01090 Batteries Manufacturing.
17. CC01080 Electronic Parts and Components Manufacturing.
18. F401010 International Trade.
19. F102030 Wholesale of Tobacco Products and Alcoholic Beverages.
20. F102040 Wholesale of Nonalcoholic Beverages.
21. F401171 Alcohol Drink Import.
22. C801010 Basic Industrial Chemical Manufacturing.
23. F213080 Retail Sale of Machinery and Equipment.
24. F299990 Retail Sale of Other Retail Trade Not Elsewhere Classified.
25. CA01990 Other Non-ferrous Metal Basic Industries.
26. CZ99990 Other Industrial Products Manufacturing Not Elsewhere Classified.
27. IZ06010 Cargoes Packaging.
28. F103010 Wholesale of Animal Feeds.
29. F202010 Retail sale of Animal Feeds.
30. F107050 Wholesale of Manure.
31. F207050 Retail Sale of Manure.
32. F121010 Wholesale of food additives.
33. F221010 Retail of food additives.
34. F102180 Wholesale of Ethanol.
35. F203030 Retail Sale of Ethanol.
36. F203020 Retail Sale of Tobacco and Alcoholic Drinks.

- 37. F401161 Tobacco Products Import.
- 38. A102060 Grain Commerce.
- 39. F201010 Retail sale of Agricultural Products.
- 40. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

- Article 2-1** The total amount of the investment made by the Company may exceed forty percent of its paid-in capital and the Board of Directors is authorized to execute the investment.
- Article 2-2** The Company may provide guarantees to others when necessary for its business.
- Article 3** The Company has its head office in Taichung City, Taiwan and may, when necessary, set up branch offices in other appropriate places; the setting up, address change, or the cancellation of the branch offices shall be made according to the resolutions adopted at the meeting of the Board of Director.
- Article 4** Public announcements of the Company shall be made in accordance with the provisions of Article 28 of the Companies Law.

Chapter 2 Shares

- Article 5** The total authorized capital of the Company shall be in the amount of NT\$3,500,000,000, divided into 350,000,000 shares, at a par value of NT\$10. The remaining unissued shares may be issued in installments subject to the resolution of the Board of Directors upon the Company's operation needs.
- Article 6** The share certificates of the Company shall be issued with signature and seal specimen by three or more directors after being authenticated by competent governmental authority in accordance with law. After the shares being issued to the public, the Company may be exempted from printing any share certificate for the shares issued, but shall appoint a centralized securities custody institution to make recordation of the issue of such shares.
- Article 6-1** The share certificate of the Company may be printed in combination form with a higher denomination upon the request of the Taiwan Securities Depository & Clearing Corporation.
- Article 7** The handling of stock affairs of the Company, except otherwise provided for in applicable laws and regulations, shall be subject to the Guidelines for Handling Stock Affairs by Public Companies prescribed by the Securities and Futures Commission.
- Article 8** Registered share certificates shall be assigned by the holder thereof by way of endorsement and the name or title of the assignee shall be indicated on the share certificate. The transfer of shares shall not be effective against the Company, unless name/title and residence/domicile of the transferee have been recorded in the shareholders' register.
- Article 9** Registration on shareholders' register for share transfer shall be suspended

for sixty days before any ordinary shareholders' meeting, thirty days before any extraordinary shareholders' meeting, and five days before the record date for determination of the shareholders entitled to dividends or any other profit distributions by the Company.

Chapter 3 Shareholders' Meeting

- Article 10** 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.
- Article 11** If a shareholder is unable to attend a shareholders' meeting, he/she may appoint an agent on his/her behalf by executing and issuing a proxy in accordance with Article 177 of Company Act.
- Article 12** The chairman of the Board of the Company shall preside at the shareholders' meeting. In case the chairman of the Board of the Company is absent, the one who shall preside at the shareholders' meeting shall be elected in accordance with Paragraph 3 of Article 208 of Company Act.
- Article 13** Shareholders of the Company shall be entitled to one vote for each share held by them.
- However, shares under limitation or with no voting power in accordance with Company Act enjoy no voting power.
- Article 14** Any resolutions at a shareholders' meeting shall, unless otherwise provided for in Company Act, be adopted by the majority present at a shareholders' meeting at which shareholders of more than one-half of the issued and outstanding shares present.
- Article 15** The resolutions of the shareholders' meeting shall be recorded in the minutes, and shall be distributed in accordance with Article 183 of Company Act.

Chapter 4 Board of Directors Audit Committee

- Article 16** The Company shall have seven to nine directors, all to be elected by shareholders with full legal capacity and with the election be done through the candidate nomination system for a term of three years and shall be eligible for re-election.

Said directors shall include no less than three independent directors, and the independent directors shall be no less than one-fifths of directors' seats. The independent directors shall be elected from the list of candidates in a shareholders' meeting. The qualification, shareholding, restriction on part-time jobs, nomination and election of independent directors and other matters to be complied with shall be handled in compliance with Company Act and other relevant requirement of the competent security authority.

The company may acquire liability insurance for all directors every year.

Article 16-1 When the Company's directors perform Company duties, the Company may pay remuneration regardless of whether the Company operates at a profit or loss. The Board of Directors is authorized with powers to resolve the rates of such remuneration based on the extent of their participation in the Company's business operations or value of their contribution, at a level consistent with general practices in the industry. If the Company operates at a profit, they also may allocate remuneration in accordance with Article 28.

Article 17 In the event more than one-third of the directors are discharged, a shareholders' meeting shall be convened to elect replacement directors. The term shall be subject to the original term of the directors.

Article 17-1 The functions of the board of directors shall be as follows:

1. Proposing the amendments to the Articles of Incorporation;
2. Determining, supervising and executing the business plan;
3. Setting up and winding up branches;
4. Reviewing budgets, closing of accounts, and business reports;
5. Approving the investment in other companies or acquirement of the shares of other companies;
6. Appointing and discharging the accountants who certify the financial reports for the Company;
7. Appointing and discharging corporate officials at the level of deputy general manager and higher;
8. Preparing proposals for increase or decrease capital;
9. Proposing appropriation of earnings or make up of loss;
10. Proposing acquisition and disposal of important assets;
11. Approving external endorsements and guarantees of company;
12. Approving important contracts or other material matters;
13. Other duties and powers granted by or in accordance with the Company Act or shareholders' resolutions.

Article 18 In case the Company is unable to elect new directors immediately after the expiration of the term of their office, the existing directors shall continue to perform their duties until re-election within a time limit given by the competent authority.

Article 19 The Board of Directors shall be composed of directors. The Chairman of the Board shall be elected from among the directors by a majority vote at a meeting attended by over two-thirds of the directors. The Chairman of the Board of Directors shall conduct the Company's all business in accordance with applicable laws, regulations, Articles of Incorporation, resolutions of the shareholders' meeting and the resolutions of the Board of Directors.

Article 20 The business strategy and other important matters of the Company shall be resolved by the Board of Directors. Meetings of the Board of Directors shall be convened and presided by the Chairman of the Board of Directors, except for the first meeting of each term of the Board of Directors that shall be convened in accordance with Article 203 of Company Act. The Chairman of the Board of Directors shall act as the chairman. In the event that the Chairman of the Board of Directors cannot execute his duties for any cause, the director appointed by the Chairmen shall act on his behalf; in the absence

of such appointment, the director who is elected from among the directors shall handle.

- Article 21** Any resolution at a meeting of the Board of Directors shall be adopted if voted in favor by the majority present at a meeting of the Board of Directors at which more than half of the directors are present unless otherwise stipulated in Company Act. In case a director is unable to attend the meeting of the Board of Directors, the director is unable to attend the meeting of the Board of Directors, the director may, by issuing a proxy specifying the scope of agency, designate one of the other directors to act for and on his/her behalf, but a director may only act for one other director.
- Article 22** The resolution of the meeting of Board of Directors shall be recorded in the minutes, and the minutes shall be signed or sealed by the chairman of the meeting and shall be distributed to the directors within twenty days after the meeting. The minutes of the meeting of Board of Directors, shall record a summary of the essential points of the proceedings and results of the meeting. The minutes of the meeting of Board of Directors, the attendance list bearing the signatures of directors present at the meeting, and the powers of attorney of the proxies shall be kept in the Company.
- Article 23** In accordance with Article 14-4 of Securities and Exchange Act, the Company shall establish an Audit Committee, which consists of all independent directors. The power and relevant affairs of Audit Committee and its members shall be devised in compliance with laws and regulations of competent authority.
- Article 24** The Company may have several managers. The appointment, discharge, and remuneration shall be handled in accordance with Article 29 of the Company Act.
- Article 25** The Company may have president, vice president, chief executive officer, vice chief executive officer, consultant and important employees according to the resolution of the Board of Directors. Board of Directors may decide to have remuneration Committee or other functional committees to meet operation needs.

Chapter 5 Managers and Employees

- Article 26** The appointment and discharge of the employees of the Company shall be decided by the managers and submitted to the Board of Directors for recordation.

Chapter 6 Accounting

- Article 27** At the end of each fiscal year, the Board of Directors shall prepare (1) business report, (2) financial statements, (3) proposal for appropriation of earnings or covering of loss, etc., and deliver the same to shareholders' meeting for approval.
- Article 28** Annual profits before income tax, employees' compensation, and directors'

remuneration shall be resolved by board of directors to set aside no less than 1% of said profit as employee compensation and a maximum of 3% of said profit as remuneration to directors.

Employee's compensation may be distributed in the form of shares or in cash, and employees qualified to receive such compensation may include employees from holding or affiliates companies who meet the qualifications which the Board of Directors stipulates.

The issues relevant to distribution of employee compensation and director remuneration shall be set by resolutions of the Board of Directors. If the Company has accumulated losses, it shall first deduct the accumulated losses, and then calculate the compensation from the remaining amount.

Article 29 Upon closing of accounts, if there shall be any net profit, the Company shall make up the losses for the preceding years, then set aside a legal reserve of 10% of the net profit unless the statutory surplus reserve has reached the total capital and then set aside or rotate special reserves; Any further remaining amount shall be added to the unallocated surplus from the prior year as shareholder dividend and bonus. The Board of Directors shall draft a proposal to distribute the surplus, which shall be approved at a shareholders' meeting.

If the distributable dividend, bonus, capital surplus or legal reserve in whole or in part are to be paid in the form of cash, the Board of Directors is authorized to implement by a resolution to be adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The dividend policy of the Company shall be made according to the Company's current and future plan, considering investment environment, fund requirements, overall competition and taking into account the interests of shareholders. The Company may appropriate more than 30% of net profits of current year for dividends to shareholders. However, when accumulated un-appropriated earnings are less than 10% of capital, the Company may decide not to distribute dividend.

The shareholder dividend shall be in the form of cash dividend or stock dividend. More than (or equal to) 50% of the total amount of shareholders dividend shall be in the form of cash dividend.

Chapter 7 Supplementary Provisions

Article 30 The organizational rules and detailed procedures for business operations of the Company shall be determined by Board of Directors.

Article 31 With regard to those matters not provided for in these Articles of Incorporation, the Company Act and other relevant laws and regulations of the Republic of China shall govern.

Article 32 These Articles of Incorporation were adopted on 16 June 1969.

The First Amendment was made on 5 November 1973.
The Second Amendment was made on 1 July 1976.
The Third Amendment was made on 13 March 1979.
The Fourth Amendment was made on 5 December 1980.
The Fifth Amendment was made on 22 March 1982.
The Sixth Amendment was made on 27 April 1982.
The Seventh Amendment was made on 10 November 1983.
The Eighth Amendment was made on 10 November 1984.
The Ninth Amendment was made on 13 October 1985.
The 10th Amendment was made on 1 January 1988.
The 11th Amendment was made on 10 November 1988.
The 12th Amendment was made on 4 July 1989.
The 13th Amendment was made on 10 November 1989.
The 14th Amendment was made on 25 March 1991.
The 15th Amendment was made on 15 July 1991.
The 16th Amendment was made on 24 April 1992.
The 17th Amendment was made on 1 April 1993.
The 18th Amendment was made on 26 April 1993.
The 19th Amendment was made on 13 September 1993.
The 20th Amendment was made on 17 December 1993.
The 21st Amendment was made on 30 May 1994.
The 22th Amendment was made on 5 May 1995.
The 23th Amendment was made on 29 May 1995.
The 24th Amendment was made on 30 November 1995.
The 25th Amendment was made on 31 May 1996.
The 26th Amendment was made on 11 June 1997.
The 27th Amendment was made on 11 June 1998.
The 28th Amendment was made on 20 April 1999.
The 29th Amendment was made on 17 November 1999.
The 30th Amendment was made on 18 April 2000.
The 31th Amendment was made on 31 May 2001.
The 32th Amendment was made on 31 May 2001.
The 33th Amendment was made on 7 May 2002.
The 34th Amendment was made on 18 June 2003.
The 35th Amendment was made on 15 June 2004.
The 36th Amendment was made on 14 June 2005.
The 37th Amendment was made on 23 June 2006.
The 38th Amendment was made on 19 June 2009.
The 39th Amendment was made on 20 June 2012.
The 40th Amendment was made on 19 June 2013.
The 41th Amendment was made on 29 June 2015.
The 42th Amendment was made on 22 June 2016.
The 43th Amendment was made on 15 June 2017.
The 44th Amendment was made on 19 June 2019.

Taiwan Hon Chuan Enterprise Co., Ltd

Procedures for Acquisition or Disposal of Assets (Original)

Article 1 The “Procedures for Acquisition or Disposal of Assets” (“Procedures”) are adopted and amended in accordance with the provisions of Article 36-1 of the Securities and Exchange Act, and the provisions of No.1020053073 of the Financial Supervisory Commission on 30th December 2013.

Article 2 **Scope of Assets**

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Right-of-use assets.
6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
7. Derivatives products.
8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
9. Other major assets.

Article 3 Operation Procedures

1. Authority Levels and Transaction Process

Before acquisition or disposal of the said assets, the Company shall estimate and approve in accordance with regulations of internal control policy of the Company. The units responsible for implementation shall submit the reason of acquisition or disposal, property analysis, counterpart of the transaction and price reference, which are in accordance with related acquisition or disposal evaluation, to general manager for decision. The Company's acquisition or disposal of the said assets shall be approved by the Board of Directors. The general manager may be authorized for a certain monetary limit, which shall be ratified subsequently by the Board of Directors.

2. Division Responsible for Implementation

2-1 Acquisition or disposal of long-term or short-term securities: Finance Department or other related Department.

2-2 Acquisition or disposal of real estate and equipment: General Affairs Department, Finance Department or other related Department.

3. Authorized Amounts

3-1 The total amount of purchasing real property and right-of-use assets for non-operating purpose shall not exceed 20% of the shareholders' equity of the Company.

3-2 The total amount of investing long-term or short-term securities shall not exceed 50% of the shareholders' equity of the Company.

3-3 The total amount of investing in any individual security shall not exceed 20% of the shareholders' equity of the Company.

3-4 For any subsidiary of the Company, the upper limits on total amount of purchasing real property and right-of-use assets for non-operating purpose or total amount of investing long-term or short-term securities, and total amount of investing in any individual security shall be the same as those of the Company.

Article 4 Appraisal Procedures

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:

- 1-1 In principle, normal price shall be the reference basis for appraisal price. Where it gives a limited price, specified price or special price, shall note whether it is in accordance with the regulation of Article 10 or 11 of Technical Standard for Land Valuation. Where due to special circumstances it is necessary to give a limited price or specified price as a reference basis for the transaction price, the transaction shall be submitted to the Audit Committee for approval in advance, and be approved by the Board of Directors and reported on the next shareholders' meeting. The same procedure shall be followed for any future changes to the terms and conditions of the transaction. Appraisal report shall evaluate respectively the appraisal results of normal price, limited price or specified price and list in detail the limited or specified condition, and whether it meets the current condition or not. It shall also explain the reason and rationality of the discrepancy with normal price, and express clearly whether that limited price or specified price may be a reference basis for transaction price.
- 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 accountant to handle the matter in accordance with the provision of Auditing Standard No.20 Article 13 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.
- 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 handle the matter in accordance with the provision of Auditing Standard No.20 Article 13 and comment on the reason for the discrepancy and the fairness of the transaction amount.
- 1-4 No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and execution date of the contract; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

- 1-5 Except where a limited price or specified price as the reference basis for the transaction price, an appraisal report or the certified public accountant's opinion under subparagraph 2.3 of the preceding paragraph, if not obtained for some legitimate reasons, shall be obtained within 2 weeks counting inclusively from the date of occurrence. Also, the Company shall announce subsequently the original price and appraisal results. In circumstance of subparagraph 2.3 of the preceding paragraph, the Company shall also announce the reasons of discrepancy and the certified public accountant's opinions.
 - 1-6 In case the appraisal institute issues "Current Value Evaluation Report" or "Evaluation Report" to replace appraisal report, the content shall still in accordance with the provisions of preceding appraisal report.
 - 1-7 Appointed appraisal institute and its appraisers shall not be the related party or substantial related party which defined in Statement of Auditing Standards No.6 to transaction counterpart.
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: 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).

- 2-3 Acquisition or disposal of securities which is not purchased and sold in Taiwan Stock Exchange Corporation or Gre Tai Securities Market.
 - 2-4 Acquisition or disposal of private placements of securities.
- 3. Where the Company acquires or disposes of intangible assets, its right-of-use assets or memberships and 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, the Company shall engage a certified public accountant prior to the Date of Occurrence to render an opinion on the reasonableness of the transaction price.
 - 4. Where the Company acquires or disposes of assets through court auction procedures, the appraisal report or the certified public accountant's opinion can be replaced by documents issued by the courts.
 - 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:

- 5-1 May not have previously received a final and unappealable 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.
- 5-2 May not be a related party or de facto related party of any party to the transaction.
- 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 de facto related parties of each other.

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

- 1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
 - 2. When examining 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.
 - 3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, 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.
 - 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.
6. The transaction amounts referred to in the preceding paragraph shall be calculated 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.

Article 5 Related Party Transactions

- 1. 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.

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.

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:

- 2-1 The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- 2-2 The reason for choosing the related party as a trading counterparty.
- 2-3 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 preliminary transaction terms in accordance with Article 4.
- 2-4 The date and price at which the related party originally acquired the real estate, the original trading counterparty, and that trading counterparty's relationship to this Company and the related party.
- 2-5 Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- 2-6 An appraisal report from a professional appraiser or an opinion by the certified public accountant obtained in compliance with the preceding article.
- 2-7 Restrictive covenants 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 8-2 herein, and "within one year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Audit Committee and the Board of Directors may be excluded.

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 next Board of Directors' meeting:

1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
2. Acquisition or disposal of real property right-of-use assets held for business use.
3. 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:
 - 3-1 Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 - 3-2 Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.

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 means listed in the preceding paragraph.

The Company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs shall also engage a certified public accountant to check the appraisal and render a specific opinion.

Where one of the following conditions exists, the Company shall exempt from engaging a certified public accountant to check the appraisal and

render a specific opinion:

1. The related party acquires real estate or its right-of-use assets through inheritance or as a gift.
 2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or its right-of-use assets to the signing date for the current transaction.
 3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.
 4. The real property right-of-use assets for business use are acquired by the Company with parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.
4. Where the Company acquires real property or its right-of-use assets from a related party and the results of appraisals conducted in accordance with the relevant provisions are both lower than the transaction price, the following steps shall be taken:
- 4-1 A special reserve shall be set aside in accordance with regulations against the difference between the real property or its right-of-use assets transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. If the Company's investor is a public company that uses the equity method to account for its investment in the Company, a special reserve shall be also set aside pro rata in a proportion consistent with such investor's shareholding in the Company.
 - 4-2 The Audit Committee shall handle the relevant matters in accordance with Article 218 of Taiwan Company Act.
 - 4-3 Actions taken pursuant to subparagraph 1 and 2 of this Article shall be reported to the shareholders' meeting, and the details of the transactions shall be disclosed in the annual report and the prospectus.

The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the real property it purchased or leased at a premium or such real property has 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 Financial Supervisory Commission(FSC) has given its consent.

When the Company obtains real property or its right-of-use assets from a related party, it shall also comply with this Article if there is other

evidence indicating that the acquisition was not an arms' length transaction..

Article 6 Transaction of Derivatives Products

The Company's derivatives transactions shall be in compliance with the Company's "Procedures for Trading Derivatives".

Article 7 Merger, Spin-off, Acquisition, and transfer of shares

1. The Company that conducts a merger, spin-off, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, shall engage a certified public accountant, lawyer, 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 discussion and approval.

Where the Company merges the subsidiary, or merges between the subsidiaries, in which the Company owns, directly or indirectly, 100% of issued shares or capital; thereof shall not obtain the said opinion on the reasonableness issued by experts.

When participating in a merger, spin-off, acquisition or transfer of shares, the Company shall prepare a report to the shareholders that contain material contractual terms and conditions and matters relevant to the merger, spin-off or acquisition prior to the shareholders meeting and deliver to shareholders such report together with shareholders meeting notice and the expert opinion referred to in the preceding paragraph for shareholders' reference. However, the above requirement shall not apply if the merger, spin-off or acquisition is exempted by law from obtaining the shareholders' approval. Where the shareholders meeting of any one of the companies participating in a merger, spin-off or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restrictions, or the proposal is rejected by the shareholders' meeting, the companies participating in the merger, spin-off or acquisition shall immediately explain to the public the reason, the follow-up measures and the preliminarily scheduled date of the next shareholders' meeting.

2. The Company shall convene the Board of Directors' meeting and the shareholders' meeting on the same date(s) to resolve matters relevant to the merger, spin-off or acquisition, unless other applicable laws provide otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, spin-off, acquisition, or transfer of another company's shares, the company that is listed on an exchange or has its shares traded on the OTC market shall prepare a full written record of the following information and keep it for five years for reference:

- 2-1 Basic identification of personnel: Including the job titles, names, and national ID numbers (or passport numbers in the case of

foreign nationals) of all persons involved in the planning or implementation of any merger, spin-off, acquisition, or transfer of another company's shares prior to disclosure of the information.

- 2-2 Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors' meeting.
- 2-3 Important documents and meeting minutes: Including merger, spin-off, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of the Board of Directors' meeting.

When participating in a merger, spin-off,, acquisition, or transfer of shares, the Company that is listed on an exchange or has its shares traded on the OTC market shall, within 2 days commencing immediately from the date of a passage of the resolution by the Board of Directors, submit the information set out in subparagraphs 1 and 2 of the preceding paragraph in the prescribed format and via the Internet-based information system to the FSC for reference.

Where any of the companies participating in a merger, spin-off, acquisition, or transfer of shares is neither listed on an exchange nor has its shares traded on the OTC market, the Company shall sign a contract with such compan(ies) whose shares are not listed or traded and shall abide by this provision.

- 3. When participating in a merger, spin-off, acquisition, or transfer of shares, the Company may not arbitrarily amend the share exchange ratio or acquisition prices unless under the circumstances listed below, and shall stipulate the circumstances permitting amendment in the contract for the merger, spin-off, acquisition, or transfer of shares:
 - 3-1 Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
 - 3-2 An action which affects the Company's financial condition and business operations, such as disposal of major assets.
 - 3-3 An event which affects shareholders equity or share prices, such as a major disaster or major change in technology.
 - 3-4 An adjustment which is made by any of the companies, who participates in the merger, spin-off, acquisition, or transfer of shares from another company, buys back treasury stock.
 - 3-5 An increase or decrease in the number of entities or companies participating in the merger, spin-off, acquisition, or transfer of shares.

- 3-6 Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

The Contract of merger, spin-off, acquisition, or transfer of shares shall record relevant matters in accordance with provisions, in order to protect interests of participating companies.

Article 8 The procedures for Public Announcement

Under any of the following 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:

1. Acquisition or disposal of real property or its right-of-use assets from or to a related party, or acquisition or disposal of assets other than real property or its right-of-use assets from or to a related party where 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; provided, this requirement shall not apply to transactions of selling or purchasing domestic government bonds or bonds with call or put options, or subscription or redemption of domestic money market funds which issued by Domestic Securities Investment Trust Enterprises.
2. Engaging in merger, spin-off, acquisition, or transfer of shares.
3. Losses from derivatives products transactions reaching the limits on aggregate losses or losses on individual contracts as provided in relevant procedures by the Company.
4. Where acquired or disposed is equipment or its right-of-use assets for operating purpose, the transaction counterparty is not a related party, and the transaction amount meets one of the following provision:
 - 4-1 While the Company's paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
 - 4-2 While the Company's paid-in capital is more than NT\$10 billion, the transaction amount reaches NT\$1 billion or more.
5. Acquisition or disposal by a public company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; among such cases, if the public company has paid-in capital of NT\$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.

6. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction reaches NT\$500 million.
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:
 - 7-1 Trading of domestic government bonds.
 - 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 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.
 - 7-3 Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds which issued by Domestic Securities Investment Trust Enterprises.

The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of asset with the same trading counterparty within one year.
3. The cumulative transaction amount of real property or its right-of-use assets acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.

"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 these Regulations need not be counted toward the transaction amount.

The Company shall compile monthly reports on the status of derivatives

products trading engaged in up to the end of the preceding month by itself 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. 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 within 2 days commencing immediately from the Date of Awareness.

The relevant contracts, meeting minutes, log books, appraisal reports and opinions of the CPA, lawyer and securities underwriter in connection with the Company's acquisition or disposal of assets shall be kept at the Company for at least five years, unless otherwise provided by applicable laws.

Article 9 Reporting Matters of Subsidiary

1. The Company's subsidiary shall abide by the provisions of the parent company while making acquisition or disposal.
2. Information required be publicly announcing and reporting in accordance with the provisions of Article 8 on acquisitions and disposals of assets by a subsidiary of the Company that is not itself a public company in Taiwan shall be reported by the parent company.
3. The paid-in capital or total assets of the Company shall be the standard for determining whether or not a subsidiary requires a public announcement and regulatory filing.

"The subsidiary" refers to the investee company in which the Company owns directly 50% or more of issued voting shares; or each investee company in which the Company, through the subsidiary, owns indirectly 50% or more of issued voting shares, others and so on; or each investee company in which the Company owns directly and, through the subsidiary, indirectly 50% or more of issued voting shares, others and so on.

Article 10 Matters not provided herein shall be governed by the relevant laws and regulations and relevant internal rules of the Company.

Article 11

1. The Procedures shall be approved by the Audit Committee and submitted to the Board of Directors for further approval and reported to the most recent shareholders' meeting for approval. The same applies when the procedures are amended. If a director holds dissenting opinions of Company's matters and there were records for it or in written statement, the Company shall submit materials of the director's dissenting opinions to the shareholders' meeting for discussion.
2. If the Company has elected independent directors in accordance with relevant law, when the Procedures are submitted to board of directors' meeting for discussion as required by preceding paragraph, the Board of Directors shall fully take each independent director's opinions into

consideration. 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.

Appendix 4

Taiwan Hon Chuan Enterprise Co., Ltd

Shareholdings of the Directors

1. The Company Paid-in Capital is NTD\$ 2,877,858,790 and the Company has issued a total of 287,785,879 shares as of April 19, 2022.
2. According to the stipulations of Article 26 of the Securities and Exchange Act and Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, the total shareholding of the Company's directors shall not be less than 12,000,000 shares.
3. As of the share transfer suspension date of this Shareholders' meeting, the numbers of shares held by the respective and all directors as denoted in the shareholders list are as follows: (The Company has conformed with minimum shareholding requirement by Article 26 of the Securities Exchange Act):

Position	Name	Date elected	Tenure of office	Current shareholding (Up to April 19, 2022)	
				Shares	Shareholding ratio
Chairman	Dai, Hung-Chuan	2020.06.19	3 years	3,572,019	1.24%
Director	Tsao, Hsih-Chung	2020.06.19	3 years	4,372,243	1.52%
Director	Tsao, Hung-Yu	2020.06.19	3 years	6,529,134	2.27%
Director	Liu, Yun-Chang	2020.06.19	3 years	689,303	0.24%
Director	Chang, Chun-Shu	2020.06.19	3 years	2,663,234	0.93%
Director	Dai, Hung-I	2020.06.19	3 years	5,812,111	2.02%
Independent Director	Hung, Chao-Nan	2020.06.19	3 years	0	0.00%
Independent Director	Huang, Hsiang-Ying	2020.06.19	3 years	0	0.00%
Independent Director	Kung, Yi-Lu	2020.06.19	3 years	0	0.00%
Total number of shares held by all Directors				23,638,044	8.22%

MEMO



TAIWAN HON CHUAN GROUP

www.honchuan.com

service@mail.honchuan.com.tw

**No.6, 2nd. Rd., Taichung Industrial
Park 407, Taiwan**

T +886 4 2359 0088

F +886 4 2359 0086