

Stock Code : 1810

Hocheng Corporation

2022
General Shareholders Meeting

Meeting Handbook

No. 135, Houzhuang Street, Bade District, Taoyuan City

(Hocheng Third Factory Auditorium)

June 27,2022

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Hocheng Corporation
2022 Regular Shareholders Meeting
Meeting Agenda

Time: Jun.27, 2022 (Monday) at 9 am

Place: No. 135, Houzhuang Street, Bade District, Taoyuan City (Hocheng Third Factory Auditorium)

- I. Report on Attending Shares Call Meeting to Order**
- II. Seating of the Chairman**
- III. Chairman's Speech**
- IV. Speeches by the Chief Executive and Guests**
- V. Matters for Report**
 - 1. The 2021 Business Report
 - 2. The 2021 Audit Committee review of the Annual Accounting Final Report
 - 3. Report on Allocation of 2021 Remuneration to Employees and Board of Directors
 - 4. Report on External Endorsements and Guarantees
 - 5. Report on Loaning Funds to Others
 - 6. Report on Directors' and Managing Personnels' Performance Evaluation Results and Salary Reports
 - 7. Report for formulation of our "Guideline of Business with Integrity"
- VI. Matters for Ratification**
 - 1. Adoption of proposal of 2021 Business Report and Annual Accounting Final Report
 - 2. Adoption of proposal of 2021 surplus distribution proposal
 - 3. Shareholder Proposal-2021 Earnings Allocation Proposal
- VII. Matters for Discussion**
 - 1. Partial amendments to the provisions of the procedures for the Company's acquisition or disposal of assets.
 - 2. The company's capital reduction in cash and refund of payment for shares.
- VIII. Temporary Motions**
- IX. Adjournment**

Rules of Procedure for Shareholders' Meeting of Hocheng Corporation

Article 1 To establish a strong governance system and sound supervisory capabilities for this Company's shareholders' meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Article 2 The rules of procedure for the Company's shareholders meeting shall comply with the provisions of these rules, unless otherwise provided by laws, regulations or the articles of incorporation.

Article 3 The shareholders meeting of the company shall be convened by the board of directors unless otherwise provided by laws and regulations.

This Company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. This Company shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, this Corporation shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at this Corporation and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place. The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form. Election or dismissal of directors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, demerger of the company, or any matters under the first paragraph of Article 185. The main content shall be listed and explained in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion. The main content shall be uploaded on the website designated by the securities authority or the company, and its website should be included in the notice.

Where re-election of all directors and supervisors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting. Shareholders who hold more than one percent of the total number of issued shares may submit a proposal to the company's general shareholders meeting. The number of items so proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda. However, the shareholders' proposal is a proposal to urge the company to promote the public interest or fulfill its social responsibilities, and the board of directors may still include it in the proposal. When the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.

Prior to the book closure date before a regular shareholders meeting is held, this Company shall publicly announce its acceptance of shareholder proposals in writing or electronically, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days. Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than

300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal. Prior to the date for issuance of notice of a shareholders meeting, this Corporation shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

Article 4 For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by this Company and stating the scope of the proxy's authorization. A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to this Corporation before five days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment. After a proxy form has been delivered to this Corporation, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to this Corporation before two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Article 5 The venue for a shareholders meeting shall be the premises of this Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

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

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations. Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. This Corporation 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.

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

This Corporation shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting. The number of representatives appointed by juristic person is limited to the number of general directors proposed to be elected by the current shareholders meeting. When juristic person shareholders appoint two or more representatives to attend the shareholders meeting, only one person may speak.

Article 7 If the shareholders' meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board asks for leave or is unable to exercise his powers for any reason, the vice chairmanshall act in place of the chairperson. If there is no vice chairperson or vice chairperson also asks for leave or for any reason is unable to exercise the powers, the chairman of the board shall appoint one managing director to act as chair; if there is no managing directors, one of the

directors shall be appointed to act as chair; if the chairman does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.

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

It is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

This Corporation may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

Article 8 This Corporation, beginning from the time it accepts shareholder attendance 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 one 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 9 Attendance of the shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically. The chair shall call the meeting to order at the appointed meeting time and disclose information concerning the number of nonvoting shares and number of shares represented by shareholders attending the meeting. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within one month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

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

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors. The chair may not declare the meeting adjourned prior to completion of deliberation on

the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting. The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.

Article 11 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

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

Article 12 The voting at a shareholders meeting shall be calculated based on the number of shares. With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

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

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed three percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

Article 13 A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

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

voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that this Corporation avoid the submission of extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to this Corporation before two days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

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

Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

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

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.

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.

Article 14 The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by this 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, and the names of directors not elected and number of votes they received.

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

Article 15 Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form. This Company may distribute the meeting minutes of the preceding paragraph by means

of a public announcement made through the MOPS.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors or supervisors. The minutes shall be retained for the duration of the existence of this Company. The resolution method in the preceding paragraph, through the chairman's consultation with shareholders and no objection to the proposal from shareholders, shall be recorded "The proposal was passed without objection after consultation by the chairman"; however, when shareholders disagree with the proposal, the method of voting and the number of voting rights shall be stated as well as proportion of weight.

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

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

Article 17 Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

The chairman may direct proctors or security personnel to help maintain order in the venue. When proctors or security personnel help maintain order, they shall wear an armband or identification card with the word "Proctor".

At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by this Corporation, the chair may prevent the shareholder from so doing. If a shareholder violates the rules of procedure and defies the chair's correction, obstructing the progress of the meeting and refusing to heed calls to stop the chair may direct the or security personnel to escort the shareholder from the meeting.

Article 18 When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders meeting to defer or resume the meeting within five days in accordance with Article 182 of the Company Act.

Article 19 These Rules shall take effect after having been submitted to and approved by a shareholders meeting. Subsequent amendments thereto shall be effected in the same manner.

Matters for Report

1. The 2021 Business Report

Hocheng Corporation The 2021 Business Report

Dear shareholders, ladies and gentlemen:

On behalf of the company's management team, I sincerely welcome all shareholders to attend the Company's 2022 General Shareholders' Meeting. Looking back on the past year, with the support of the board of directors and the concerted efforts of all colleagues, the net operating income attributable to the parent company in 2021 was NT\$ 3,624 million, with an increase of NT\$ 76 million from NT\$ 3,548 million in 2020. The report on the operating status of the company in 2021 is as follows:

(1) Results of the Implementation of the Business Plan

Unit: Million of NT\$

Item \ Year ended	Year ended Dec.31,2021 Amount	Year ended Dec.31,2020 Amount	Increase (decrease) amount	Increase (decrease) %
Consolidated net operating income	5,313	5,102	211	4
Consolidated operating margin	1,357	1,255	102	8
Consolidated operating net profit	67	0.19	66.81	35,163
Consolidated non-operating income and expenses	1,913	129	1,784	1,383
Consolidated non-operating income and expenses	1,746	79	1,667	2,110
Net (loss) net profit after combined tax	3.33	0.24	3.09	1,288
Net (loss) net profit per share (Unit: NT\$)				

(2) Implementation of the financial forecast in 2021:

In accordance with the "Regulations Governing the Publication of Financial Forecasts of Public Companies", the company does not need to disclose the 2021 financial forecast information, so there is no 2021 budget execution analysis data.

(3) Analysis of Financial income and expenditure and profitability (according to the Consolidated Financial Report):

Item \ Year ended		financial analysis	
		Year end2021	Year end2020
Financial structure	Liabilities to assets ratio (%)	35.84	44.58
	Percentage of long-term funds in property, plant and equipment (%)	225.94	173.11
Profitability	Return on assets (%)	16.12	1.28
	Return on shareholders' equity (%)	26.23	1.36
	Ratio of net profit before tax to paid-in capital (%)	53.51	3.49
	Net profit rate (%)	32.86	1.56
	Net profit (loss) per share (yuan)	3.33	0.24

With prospect to the year 2022, the global economy receives impacts by the COVID-19 variant pandemic, US-China trade war and wars between Russia and Ukraine, while the domestic circumstances is influenced by negative factors such as rise in price of real property, raw materials price in continuous soar, measures for controlling real property speculations by the government, stress from inflation, etc. To face the changeful economy and market, the Company expects to grow in stability in the current scope of bathroom/toilet equipment market meanwhile developing new target audiences and new markets. The Company's management and development focuses are as follows:

1. Integrated development of sanitary products: The company launched the GORFIN series of bathroom products this year, which not only presents a simple and modern design style concept, but also provides an intelligent sensor and humanized function, as well as integrating the eco-friendly concept of water saving and cleanable. GORFIN toilets have been awarded the 2022 Taiwan Excellence Award, which has obtained the public recognition.. Others, such as lead-free faucet in stainless steel can provide consumers with safe and water-conserving functions. Afterwards, with the integration of the company's products, we will develop eco-friendly and energy-saving products to replace the older and more energy-consuming products. Provide consumers with better choices.
2. Adjustment of supply chain integration: After the outbreak of coronavirus epidemic, the production is likely to be interrupted because of that, together with the delay of shipping, intense geopolitics and trade conflicts, resulting the trade network is relatively vulnerable and the supply chain is not as reliable as previously expected. In response to the crisis of supply chain disruption whenever possible, it is important to consider the adjustments from raw materials, components to final products, and to make positive and rapid changes to avoid operational difficulties due to supply chain disruption.
3. Expansion of new business: In recent years, precision ceramics and composite materials have been developed towards the high-end market, including personal protection products, medical devices and carbon fiber flippers for freediving, etc. In addition, structural ceramics (military ballistic ceramics, ballistic plates, etc.) and biomedical ceramics (all-ceramic dental crown materials) have been developed successively. With the unique technology and high market reliance, precision ceramics products are becoming another major contributor to the group's revenue. Sales of cabinets and electric clothes dryers have also grown significantly year by year. On behalf of us, there are still many opportunities.
4. Corporate Social Responsibilities: Corporate Social Responsibility (CSR) generally refers to, in addition to generating profits and taking responsibilities for the shareholders' gains, being accountable for all stakeholders with a view to attain economic prosperity, social good, and environmental friendliness and sustainability. In recent years, the Company has sustained its efforts in developing energy saving products and processes for improving wastes in production, meanwhile upholding the corporate culture of coexistence with Earth, sharing amongst human beings, co-creation with the society and sharing profits with the mass as well as providing consumers the living space of safety, health, and comfort. The global trend of zero carbon emission shall be further considered in the future in order to comply with future environmental specifications aiming for energy saving and carbon reduction and to fulfill the Company's responsibilities to the society, meanwhile contributing its part in cherishing Earth.

This year marks the 91st anniversary of Hocheng. For growth in steadiness, the Company will conduct market expansion targeting the senior citizens, health-concerned groups, needs for pandemic prevention and supply of dental materials. The Company will play its role in facilitating its customers in the building of living space with safety, health, and comfort, so as to reach a new height in revenue and develop into an "evergreen" enterprise with hundreds of years of operations.

We appreciate the attendance as well as the guidance by all shareholders. Our employees will strive harder to generate better performance and sustain the Company's steady growth and gains.

Respectfully, good health and all the best

Chairman: Chiu Li-Chien Manager: Chen Shih-Chieh Accounting Supervisor: Luo Yue-Ying

2. The Audit Committee's Review of the annual accounting final report for the year ended Dec. 31, 2021

**Hocheng Corporation
Audit Committee Review Report**

Hereby

The Board of Directors has prepared the Company's 2021 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm KMPG was retained to audit Financial Statements (parent company only and consolidated financial statements) of the Company and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of YEM CHIO CO., LTD. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Sincerely yours,

2022 Annual General Meeting of Hocheng Corporation.

Chairman of the Audit Committee: Wang Cheng-Wei, May 10, 2022

Independent Auditors' Report

To the Board of Directors of Hocheng Corporation:

Opinion

We have audited the consolidated financial statements of Hocheng Corporation and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, 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.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Hocheng Corporation and its subsidiaries 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 with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("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 Certification of Financial Statements by Certified Public Accountants and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of another auditor, we believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Account receivable valuation

Refer to note 4(h) for accounting policy of trade receivable valuation, note 5(a) for accounting assumption, judgments and estimation uncertainty of trade receivables and note 6(d) for the disclosure of the valuation of trade receivables to the consolidated financial statements.

Description of key audit matter:

The Group's sales and accounts receivable mainly concentrated in Taiwan, China, and Philippines. The valuation of allowance for doubtful account involves a subjective judgment of the management, and thus, needs significant attention in our audit.

How the matter was addressed in our audit:

Our and other audit procedures for the above key audit matters included assessing whether the impairment of accounts receivable is under established accounting policies of Hocheng Corporation and its significant subsidiaries; obtaining an aging analysis form and analyzing the aging of accounts receivable overdue and the accuracy of the sample review of the aging analysis forms; performing a test of details of past due receivables is significant; understanding the rationale for any identified substantial overdue and assessing the adequacy of the Company's recognition; evaluating whether the disclosure of receivable aging and changes of allowance for accounts receivable is appropriated for the management of the Group.

2. Valuation of inventories

Refer to note 4(h) and note 5 (b) for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainty of the valuation of inventory, respectively. Information of estimation of the valuation of inventory are disclosed in note 6(f) of the consolidated financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost or net realizable value at the reporting date. Hocheng Corporation and its major subsidiaries are mainly sold to consumers through distributors and big-box stores. The Group faces competition from its competitors with homogeneous products and low-price strategies. The risk of inventory costing might exceed its net realizable value because of obsolete products or inconsistent with consumers' preferences.

How the matter was addressed in our audit:

Our and other audit procedures for the above key audit matters included understanding of the accounting policies that the Group recognized the impairment of inventories; inspecting whether the inventory valuation is recognized according to Group's inventory policies, including sampling procedures and testing and calculating the relevant documents; evaluating the adequacy of the Company's disclosures of provision to write down slow-moving or obsolete inventories.

Other Matter

In the Group's consolidated financial statements, we did not audit the financial statements of certain subsidiaries. Those financial statements were audited by other auditors. Therefore, our opinion, insofar as it relates to those subsidiaries, is based solely on the reports of the other auditors. The financial statements of those certain subsidiaries reflect total assets constituting 16% and 13% of consolidated total assets at December 31, 2021 and 2020, and total operating revenues constituting 10% and 4% of consolidated total operating revenues for the years then ended.

Hocheng Corporation has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRS, IAS, IFRIC, 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 auditing standards generally accepted in the Republic of China, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

1. Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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 determine that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or 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 the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsiao-Ling Chiang and Chung-Yi Chiang.

KPMG

Taipei, Taiwan (Republic of China)

March 22, 2022

Independent Auditors' Report

To the Board of Directors of Hocheng Corporation:

Opinion

We have audited the financial statements of Hocheng Corporation (“the Company”), which comprise the balance sheets as of December 31, 2021 and 2020, 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.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company 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 Certification of Financial Statements by Certified Public Accountants and the 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 Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of another auditor, we believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Valuation of inventories

Refer to note 4(g) and note 5 for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainty of the valuation of inventory, respectively. Information of estimation of the valuation of inventory are disclosed in note 6(f) of the financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost or net realizable value at the reporting date. Hocheng Corporation is mainly sold to consumers through distributors and big-box stores. The Company faces competition from its competitors with homogeneous products and low-price strategies. The risk of inventory costing might exceed its net realizable value because of obsolete products or inconsistent with consumers' preferences.

How the matter was addressed in our audit:

Our and other audit procedures for the above key audit matters included understanding of the accounting policies that the Company recognized the impairment of inventories; inspecting whether the inventory valuation is recognized according to Company's inventory policies, including sampling procedures and testing and calculating the relevant documents; evaluating the adequacy of the Company's disclosures of provision to write down slow-moving or obsolete inventories.

2. Assessment of investment under the equity method

Regarding the accounting policies for the investment assessment under the equity method, refer to note 4(h) and (i) to the Parent Company Only Financial Statements; for the shareholding in the profit of the affiliated companies and joint ventures under the equity method, please see note 6(g) to the Parent Company Only Financial Statements.

Description of the key audit matter:

The recognized investment amount under the equity method totaled \$3,632,531 thousand, occupying 36% of Hocheng Corporation's total assets. Therefore, the investment under the equity method is listed as a matter we need to highly focus on when auditing.

How the matter was addressed in our audit:

The audit process we perform for the above key audit matter includes: provide audit instructions to and communicate with the audit staff of other component entities; acquire the financial statements of the component entities, perform a check calculation for the correctness of the recognized investment amount under the equity method and attributable period, and assess whether the management has properly disclosed the investment under the equity method.

Other Matter

In the Company's financial statements, we did not audit the financial statements of certain companies which are assessed under the equity method. Those financial statements were audited by other auditors. Therefore, our opinion, insofar as it relates to those companies, is based solely on the reports of the other auditors. The financial statements of those certain companies reflect total assets constituting 7% and 8% of total assets at December 31, 2021 and 2020, and the related share of profit of subsidiaries, associates and joint ventures accounted for using the equity method constituting 79% and (180)% of total profit before tax for the years then ended, respectively.

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

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 auditing standards generally accepted in the Republic of China, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hsiao-Ling Chiang and Chung-Yi Chiang.

KPMG

Taipei, Taiwan (Republic of China)

March 22, 2022

III. Report on the remuneration distribution of employees and directors in 2021.

1. Issued in accordance with Article 21 of the Articles of Incorporation of the Company.
2. The company's profit in 2021 is NT\$ 1,260,833,710, distributed respectively:
 - (1) Employee' remuneration is NT\$ 83,131,893 in cash dividends.
 - (2) Directors' remuneration is NT\$ 41,565,946 in cash dividends.

IV. Report on External Endorsement and Guarantee:

As of the year ended Dec. 31, 2021, the total amount of endorsements and guarantees to domestic and overseas subsidiaries of the company is NT\$ 351,559 thousand. The details are as follows:

1. HCG (Philippines): NT\$185,479 thousand (US\$3,800 thousand and PHP 150,000 thousand).
2. HCG (China): NT\$166,080 thousand (USD6,000 thousand).

V. Report on f Loaning Funds to Others:

As of the year ended Dec. 31, 2021, the company's capital loans domestic and overseas subsidiaries totaled NT\$0.

VI. Report on Directors and managing Personnels' performance evaluation results and salary and remuneration:

1. Results of performance evaluation:

The operation of the board of directors does abide by the rules of board of directors and relevant laws and regulations and supervises the operation of the company and the various potential risks that the company faces and maintains good interaction with the management to give full play to the functions of the board of directors. Managers all have relevant experience and expertise in management and business, and at the same time demonstrate a considerable level in various performance indicators.
2. Explanation of the relevance and rationality of profits and losses after tax and changes in remuneration:
 - (1) Remuneration to the directors based on the degree of participation in the company's operations and contribution value, while considering the level of the inter-bank market.
 - (2) Directors' remuneration is in accordance with Article 21 of the company's articles of association: If the company's annual final accounts are profitable, the remuneration of employees and directors shall be provided separately. The director's remuneration rate is set at an annual profit of 3% as the upper limit. In 2021, the profit will be NTD, and 3% of director's remuneration will be NTD 41,565,946.
 - (3) The relevant remuneration received by directors and employees is NTD 6,681,600 in 2020, and it is reasonable that it is NTD 6,555,600 in 2021.
 - (4) The business execution expenses of the three independent directors in 2021 will be NTD 568,416. According to the company's independent directors' responsibilities and rules, they will not participate in the distribution of directors' remuneration.
 - (5) The company's operating performance and personal work performance are related to the manager's salary and bonus. Managerial personnel attained certain level of performance in all aspects, so their salary is objectively reasonable.

VII. Report on Adoption of the Company's Ethical Corporate Management Best Practice Principles

The board of directors of the Company has adopted the Company's Ethical Corporate Management Best Practice Principles in its 2nd meeting convened on March 22nd, 2022. Please see Appendix 9 (Pages 33~39) of this Meeting Agenda for the adopted Principles.

Matters for Ratification

Subject 1: Adoption of the 2021 business report and accounting final report. (Provided by the board of directors)

Explanation: The company's 2021 consolidated and individual financial report was completed by accountants Linda Chiang and Calvin Chiang from KPMG and issued an audit report. The business report has been reviewed by the audit committee, and it is deemed that there is no discrepancy, and it is submitted for recognition.

(Please refer to page 8 to page 9, page 10 to page 18 and page 23 of this manual to page 32)

Resolution:

Subject 2: Adoption of the Proposal for Distribution of 2021 Profits. (Provided by the board of directors)

Explanation:

1. The company's 2021 financial statements are managed by KPMG's accountant Linda Chiang and accountant Calvin Chiang have completed the audit, and the 2021 after-tax surplus will be NT\$ 1,224,800,658. 10% of the statutory surplus reserve is set aside in NT\$ 119,639,048 in accordance with the company's articles of association. The distributable surplus is NT\$ 1,368,938,507 at the end of the period, proposed to be available for distribution in 2021. Proposed distribution of shareholder cash dividends of NT\$73,970,722 (for every surplus share NT\$ 0.2), calculated until one NTD, rounding, the total distribution of the abnormal amount of less than one NTD number, included in the company's other income (see the surplus distribution table, please refer to section of this manual page 40).
2. After this case is passed by the shareholders' meeting, the chairman is authorized to set the ex-dividend base date, date of issuance and other related matters.
3. If the company subsequently bought back shares of the company, transferred, cancelled, or cooperated with other laws and regulations, affect the number of shares outstanding, and the relevant dividend amount or the adjustment of the dividend rate. The shareholders' meeting authorizes the board of directors to handle it with full authority.
4. This proposal was reviewed and approved by the Audit Committee.
5. Call for recognition.

Resolution:

Subject 3: Adoption of the annual earnings distribution in 2021 [Provided by Shareholders Wang Hao (Account Number 110504) and Zheng Da-Wei (Account Number 117045)]

Explanation:

1. Hocheng Corporation's earnings after tax in 2021 is NTD 1,224,801 thousand. After setting aside the 10% legal reserve, it is proposed to allot the earnings distributable of 2021 by cash dividend to shareholders at NTD 1,220,516,913 (EPS 3.3). This cash dividend will be distributed in cash in the unit of NTD, and portions lower than NTD 1 will be round off. Fractional shares will be recognized as the Company's other income.
2. If the company subsequently bought back shares of the company, transferred, cancelled, or cooperated with other laws and regulations, affect the number of shares outstanding, and the relevant dividend amount or the adjustment of the dividend rate. Authorize the board of directors to handle it with full authority.
3. Call for recognition.

Resolution:

Matters for Discussion

Proposal 1: Discussion on the amendments to partial articles of the Company's Procedures for Acquisition and Disposal of Assets. (Provided by the board of directors)

Explanation:

1. In accordance with partial articles under the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" amended and issued per 28 January 2022 Order No. Financial-Supervisory-Securities-Corporate-1110380465 of the Financial Supervisory Commission, amendments to partial articles of the Company's Procedures for Acquisition and Disposal of Assets is therefore proposed.
2. This proposal has been reviewed and approved by the audit committee of the Company.
3. Please refer to the comparison table for these Procedures before and after amendment (Please see Pages 49~66 of this Meeting Agenda).
4. Requests for Discussion.

Resolution:

Proposal 2: Cash Capital Reduction and Capital Stock Return of the Company. (Provided by the board of directors)

Explanation:

1. For purposes of adjusting capital structure and enhancing returns on shareholders' equity, the Company proposes to carry out a cash capital reduction and return capital stock to shareholders.
2. The Company proposes to carry out a cash capital reduction and return capital stock to shareholders at NTD 665,736,500 only, with 66,573,650 shares expected to be cancelled. In accordance with the Company's paid-in capital at NTD 3,698,536,100 and the outstanding shares at 369,853,610 shares, the cash capital reduction ratio is 18% i.e. return at NTD 1.8 to shareholders for each share held. The paid-in capital following capital reduction will be NTD 3,032,799,600, with an estimated issuance of common stock following capital reduction at 303,279,960 shares, available for subscription at NTD 10 per share. The shares issued under the cash capital reduction and capital stock return will be paperless shares with rights and obligations to holders identical to previously issued shares.
3. The calculation for stock swap will be calculated based on the number of shares held by each shareholder recorded on the Company's shareholders roster by the book closure date. Shareholders may obtain 820 shares in the stock swap with per 1000 original shares held (i.e. 180 shares less for per 1000 shares held). The total number of shares cancelled is 66,573,650 shares. For fractional shares fewer than one shares, shareholders holding such shares may, during the period from five days prior to book closure date of cash capital reduction and capital stock return to one day prior to the said date, apply for combination of the shares at the stock transfer agency of the Company; fractional shares under a common stock not combined or unable to be combined into one share will be commuted based on face value of stock into cash (for offsetting fees incurred in conversion from Book-Entry Operations for Centrally Deposited Securities) in the unit of NTD (portions lower than NTD 1 will be round off), and then open for subscription by specific person or persons at the said face value following their negotiation with the Company's chairperson under authorization.
4. The Company hereby proposes to file the capital reduction plan with the competent authority for approval after the resolution by the Annual Meeting of Shareholders, and authorize the chairperson to set up a reduction record date and a record date for share swap under reduction. It is proposed that the chairman be authorized to take any action and public announcement that may be required in connection with the capital reduction as a result of, prior to record date of this cash capital reduction, the Company's adjustments to capital reduction ratio and amount returned per share due to influence on number of outstanding shares resulting from changes in the Company's capital stock or the Company's amendment to such reduction following revisions of applicable regulations, order or instruction by competent authority, or responses to changes in the circumstances by other objective factors is required.
5. The case was reviewed and approved by the Audit Committee.
6. In addition, according to per 25 May 2022 Letter Securities-Protection-Legal-No. 1110001897 from the Securities and Futures Investors Protection Center, descriptions of the Cash Capital Reduction and Capital Stock Return of the Company are made. Please refer to Appendix XV, Page 92 of this Meeting Agenda.
7. Requests for Discussion.

Resolution:

Temporary motions

Adjournment

Appendix 1

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
HOCHENG CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020				December 31, 2021		December 31, 2020	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 2,162,265	19	1,054,849	10	2100	Short-term borrowings (notes 6(l) and 8)	\$ 1,419,164	12	1,538,108	14
1110	Current financial assets at fair value through profit or loss (note 6(b))	274,547	2	251,969	2	2110	Short-term notes and bills payable (notes 6(m))	105,000	1	115,000	1
1151	Notes receivable (notes 6(d) and 7)	436,858	4	360,489	3	2150	Notes payable (note 7)	172,328	2	128,520	1
1170	Accounts receivable, net (notes 6(d) and 7)	884,639	8	902,817	8	2170	Accounts payable (note 7)	504,333	5	444,529	5
1200	Other receivables, net (note 6(e) and 7)	46,100	-	15,766	-	2200	Other payables (note 7)	618,505	5	539,377	5
1220	Current tax assets	12,724	-	12,564	-	2230	Current tax liabilities	8,010	-	29,226	-
130X	Inventories (note 6(f))	1,588,641	14	1,584,093	15	2250	Current provisions (note 6(p))	20,867	-	21,605	-
1460	Non-current assets classified as held for sale, net (Note 6(g) and 7)	-	-	494,673	5	2260	Liabilities related to non-current assets classified as held for sale (note 6(g)	-	-	494,751	5
1470	Other current assets	144,881	1	141,046	1		and 7)				
		5,550,655	48	4,818,266	44	2280	Current lease liabilities (note 6(o))	28,087	-	29,987	-
Non-current assets:						2300	Other current liabilities	120,942	1	110,831	1
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	1,325,608	12	1,142,720	11	2320	Long-term liabilities, current portion (notes 6(n) and 8)	110,171	1	181,055	2
1550	Investments accounted for using equity method, net (note 6(h))	52,044	1	51,901	-			3,107,407	27	3,632,989	34
1600	Property, plant and equipment (notes 6(i) and 8)	3,520,840	31	3,846,594	36	Non-Current liabilities:					
1755	Right-of-use assets (note 6(j) and 8)	118,351	1	138,313	1	2540	Long-term borrowings (notes 6(n) and 8)	595,602	5	707,334	7
1760	Investment property, net (note 6(k) and 8)	681,440	6	493,160	5	2570	Deferred tax liabilities (note 6(s))	292,816	3	291,690	3
1780	Intangible assets	37,788	-	45,075	-	2580	Non-current lease liabilities (note 6(o))	65,090	1	81,356	1
1840	Deferred tax assets (note 6(s))	48,341	-	70,148	1	2640	Net defined benefit liability, non-current (note 6(r))	26,984	-	50,895	-
1920	Guarantee deposits paid (note 8)	92,096	1	99,809	1	2600	Other non-current liabilities	23,682	-	22,815	-
1990	Other non-current assets, others (note 8)	43,713	-	32,675	1			1,004,174	9	1,154,090	11
		5,920,221	52	5,920,395	56		Total liabilities	4,111,581	36	4,787,079	45
Total assets		\$ 11,470,876	100	10,738,661	100	Equity attributable to owners of the Company (note 6(t)):					
						3100	Capital stock	3,698,536	32	3,698,536	34
						3200	Capital surplus	13,478	-	13,293	-
						3300	Retained earnings	2,881,696	25	1,759,275	16
						3400	Other equity interest	677,933	6	433,764	4
						3500	Treasury shares	(16,582)	-	(16,582)	-
							Total equity attributable to owners of parent	7,255,061	63	5,888,286	54
						36XX	Non-controlling interests	104,234	1	63,296	1
							Total equity	7,359,295	64	5,951,582	55
							Total liabilities and equity	\$ 11,470,876	100	10,738,661	100

See accompanying notes to consolidated financial statements.

Appendix 2

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

HOCHENG CORPORATION AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (note 6(v))	\$ 5,313,319	100	5,102,207	100
5000	Operating costs (note 6(f))	3,955,952	75	3,847,421	75
5950	Gross profit from operations	1,357,367	25	1,254,786	25
	Operating expenses:				
6100	Selling expenses	744,637	14	715,884	14
6200	Administrative expenses	414,969	8	405,247	8
6300	Research and development expenses	131,188	2	136,010	3
6450	Expected credit gain	(102)	-	(2,540)	-
6300	Total operating expenses	1,290,692	24	1,254,601	25
6900	Operating profit	66,675	1	185	-
	Non-operating income and expenses:				
7100	Interest income (note 6(x))	2,616	-	4,606	-
7010	Other income (note 6(x))	157,294	3	125,223	3
7020	Other gains and losses, net (note 6(x))	(29,609)	(1)	71,865	1
7050	Finance costs, net (note 6(x))	(54,928)	(1)	(73,314)	(1)
7229	Gain on disposal of non-current assets classified as held for sale (note 6(g))	1,836,843	35	-	-
7370	Share of profit of associates and joint ventures accounted for using equity method (note 6(h))	347	-	653	-
	Total non-operating income and expenses	1,912,563	36	129,033	3
	Profit before income tax	1,979,238	37	129,218	3
7950	Less: Income tax expenses	233,311	4	49,814	1
	Profit	1,745,927	33	79,404	2
8300	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit	(10,886)	-	(5,982)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	295,970	5	188,855	3
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	1,214	-	2,022	-
	Total components of other comprehensive income that will not be reclassified to profit or loss	286,298	5	184,895	3
8360	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(68,418)	(1)	(22,051)	-
8370	Share of other comprehensive income of associates and joint ventures under the equity method	(3,062)	-	2,698	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income that will be reclassified to profit or loss	(71,480)	(1)	(19,353)	-
8300	Other comprehensive income (after tax)	214,818	4	165,542	3
8500	Total comprehensive income for the period	\$ 1,960,745	37	244,946	5
	Profit (loss) attributable to:				
8610	Owners of parent	\$ 1,224,801	23	86,793	2
8620	Non-controlling interests	521,126	10	(7,389)	-
		\$ 1,745,927	33	79,404	2
	Comprehensive income (loss) attributable to:				
8710	Owners of parent	\$ 1,440,561	27	251,199	5
8720	Non-controlling interests	520,184	10	(6,253)	-
		\$ 1,960,745	37	244,946	5
	Earnings per share (note 6(u))				
9750	Basic earnings per share (NT dollars)	\$ 3.33		0.24	
9850	Diluted earnings per share (NT dollars)	\$ 3.28		0.24	

See accompanying notes to consolidated financial statements.

Appendix 3

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

HOCHENG CORPORATION AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company											
	Share capital	Retained earnings					Other Equity Items		Treasury shares	Total Equity Attributable to Owners of Parent	Non-controlling interests	Total equity
							Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income				
Ordinary Share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total Equity Attributable to Owners of Parent	Non-controlling interests	Total equity		
Balance at January 1, 2020	\$ 3,698,536	13,079	843,052	458,116	326,229	29,502	284,941	(16,582)	5,636,873	69,637	5,706,510	
Profit for the year ended December 31, 2020	-	-	-	-	86,793	-	-	-	86,793	(7,389)	79,404	
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(4,913)	(19,338)	188,657	-	164,406	1,136	165,542	
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	81,880	(19,338)	188,657	-	251,199	(6,253)	244,946	
Earnings distribution and appropriation:												
Legal reserve appropriated	-	-	4,792	-	(4,792)	-	-	-	-	-	-	
Cash dividends of ordinary shares	-	-	-	-	-	-	-	-	-	(88)	(88)	
Other changes in capital surplus	-	214	-	-	-	-	-	-	214	-	214	
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	49,998	-	(49,998)	-	-	-	-	
Balance at December 31, 2020	3,698,536	13,293	847,844	458,116	453,315	10,164	423,600	(16,582)	5,888,286	63,296	5,951,582	
Profit for the year ended December 31, 2021	-	-	-	-	1,224,801	-	-	-	1,224,801	521,126	1,745,927	
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	(10,292)	(69,411)	295,463	-	215,760	(942)	214,818	
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,214,509	(69,411)	295,463	-	1,440,561	520,184	1,960,745	
Earnings distribution and appropriation:												
Legal reserve appropriated	-	-	13,188	-	(13,188)	-	-	-	-	-	-	
Cash dividends of ordinary shares	-	-	-	-	(73,971)	-	-	-	(73,971)	-	(73,971)	
Other changes in capital surplus	-	185	-	-	-	-	-	-	185	-	185	
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	(18,117)	-	18,117	-	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(479,246)	(479,246)	
Balance at December 31, 2021	\$ 3,698,536	13,478	861,032	458,116	1,562,548	(59,247)	737,180	(16,582)	7,255,061	104,234	7,359,295	

See accompanying notes to consolidated financial statements.

Appendix 4

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
HOCHENG CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the Year Ended December 31,	
	2021	2020
Cash flows from operating activities:		
Profit before income tax	\$ 1,979,238	129,218
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	222,618	245,698
Amortization expense	9,234	8,694
Expected credit gain	(102)	(2,540)
Net profit on financial assets or liabilities at fair value through profit or loss	2,979	(12,089)
Interest expense	54,928	73,314
Interest income	(2,616)	(36,721)
Dividend income	(66,809)	(52,165)
Share of loss of associates and joint ventures under the equity method	(347)	(653)
Gains on disposal of property, plant and equipment	(3,173)	(73,957)
Gain from disposal of right-of-use assets	(312)	(67)
Gain on disposal of non-current assets classified as held for sale	(1,836,843)	-
Reresal of allowance for sales discounts	(738)	(8,639)
Total adjustments to reconcile profit (loss)	(1,621,181)	140,875
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable, net	(76,369)	(28,014)
Trade receivable, net	18,178	132,493
Other receivable	(28,805)	22,773
Inventories	(4,548)	309,621
Other current assets	(3,835)	(5,173)
Total changes in operating assets	(95,379)	431,700
Changes in operating liabilities:		
Notes payable	43,808	(117,851)
Accounts payable	59,804	(8,497)
Other payable	79,128	101,415
Other current liabilities	10,111	1,408
Decrease in net defined benefit liability	(35,877)	(16,894)
Total changes in operating liabilities	156,974	(40,419)
Total changes in operating assets and liabilities	61,595	391,281
Total adjustments	(1,559,586)	532,156
Cash inflows generated from operations	419,652	661,374
Interest received	2,616	36,721
Dividends received	66,809	52,165
Interest paid	(54,928)	(73,314)
Income taxes paid	(229,460)	(29,480)
Net cash flows from operating activities	204,689	647,466

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

HOCHENG CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows(continued)****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	For the Year Ended December 31,	
	2021	2020
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(102,579)	(94,533)
Proceeds from disposal of financial assets at fair value through other comprehensive income	164,166	148,484
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	48,713	-
Acquisition of financial assets at fair value through profit or loss	(169,247)	(187,384)
Proceeds from disposal of financial assets at fair value through profit or loss	142,634	194,556
Acquisition of investments accounted for using equity method	(5,026)	-
Proceeds from disposal of non-current assets classified as held for sale	1,839,109	-
Acquisition of property, plant and equipment	(85,674)	(98,459)
Proceeds from disposal of property, plant and equipment	7,253	83,941
Increase in refundable deposits	7,713	(27,714)
Acquisition of intangible assets	(2,192)	(1,755)
Decrease in other non-current assets	(11,569)	6,261
Net cash flows used in investing activities	1,833,301	23,397
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(126,373)	51,373
Decrease in short-term notes and bills payable	(10,000)	(180,000)
Increase in long-term borrowings	16,935	8,809
Repayments of long-term borrowings	(198,828)	(215,593)
Decrease increase in guarantee deposits	867	(350)
Payments of lease liabilities	(29,896)	(30,506)
Cash dividends paid	(73,971)	(88)
Change in non-controlling interests	(479,246)	-
Net cash flows used in financing activities	(900,512)	(366,355)
Effect of exchange rate changes on cash and cash equivalents	(30,062)	(52,286)
Net increase (decrease) in cash and cash equivalents	1,107,416	252,222
Cash and cash equivalents at beginning of period	1,054,849	802,627
Cash and cash equivalents at end of period	\$ 2,162,265	1,054,849

See accompanying notes to consolidated financial statements.

Appendix 5

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

HOCHENG CORPORATION**Balance Sheets****December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

		December 31, 2021		December 31, 2020				December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 1,382,009	14	420,388	5	2100	Short-term borrowings (note 6(l))	\$ 950,877	9	1,043,210	12
1110	Current financial assets at fair value through profit or loss (note 6(b))	60,014	1	-	-	2110	Short-term notes and bills payable (note 6(m))	105,000	1	115,000	1
1151	Notes receivable (note 6(d) and 7)	378,609	4	320,934	4	2150	Notes payable	30,454	-	20,540	-
1170	Accounts receivable, net (note 6(d) and 7)	637,999	6	587,264	7	2160	Notes payable to related parties (note 7)	39,408	-	41,059	-
1200	Other receivables, net (notes 6(e))	7,809	-	5,839	-	2171	Accounts payable	199,498	2	185,825	2
1210	Other receivables—related parties (notes 6(e) and 7)	25,873	-	24,450	-	2180	Accounts payable to related parties (note 7)	63,136	1	55,739	1
130X	Inventories, net (notes 6(f) and 7)	1,009,416	10	1,010,879	11	2200	Other payables	374,815	4	227,806	3
1470	Other current assets	91,022	1	101,646	1	2220	Other payables to related parties (note 7)	19,049	-	53,708	1
		<u>3,592,751</u>	<u>36</u>	<u>2,471,400</u>	<u>28</u>	2250	Current provisions (note 6(p))	12,865	-	19,113	-
Non-current assets:						2280	Current lease liabilities (note 6(o))	55,042	1	54,176	1
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	811,428	8	723,222	8	2300	Other current liabilities	67,614	1	72,683	1
1550	Investments accounted for using equity method, net (note 6(g))	3,632,531	36	3,604,151	41	2320	Long-term liabilities, current portion (note 6(n))	98,234	1	181,055	2
1600	Property, plant and equipment (note 6(h) and 8)	1,187,862	12	1,216,013	14			<u>2,015,992</u>	<u>20</u>	<u>2,069,914</u>	<u>24</u>
1755	Right-of-use assets (note 6(i))	223,594	2	274,118	3	2540	Long-term borrowings (notes 6(n))	520,000	5	612,149	7
1760	Investment property, net (note 6(j) and 8)	433,660	5	439,789	5	2570	Deferred tax liabilities (note 6(s))	14,389	-	14,389	-
1780	Intangible assets (note 6(k))	23,524	-	27,951	-	2580	Non-current lease liabilities (note 6(o))	174,208	2	224,586	3
1840	Deferred tax assets (note 6(s))	23,051	-	28,671	-	2640	Net defined benefit liability, non-current (note 6(r))	25,567	-	37,894	-
1920	Refundable deposits paid (note 8)	65,405	1	64,071	1	2645	Guarantee deposits	18,615	-	18,235	-
1990	Other non-current assets, others (note 8)	30,026	-	16,067	-			<u>752,779</u>	<u>7</u>	<u>907,253</u>	<u>10</u>
		<u>6,431,081</u>	<u>64</u>	<u>6,394,053</u>	<u>72</u>		Total liabilities	<u>2,768,771</u>	<u>27</u>	<u>2,977,167</u>	<u>34</u>
						Equity (note 6(t)):					
						3100	Share capital	3,698,536	37	3,698,536	41
						3200	Capital surplus	13,478	-	13,293	-
						3300	Retained earnings	2,881,696	29	1,759,275	20
						3400	Other equity interest	677,933	7	433,764	5
						3500	Treasury shares	(16,582)	-	(16,582)	-
							Total equity	<u>7,255,061</u>	<u>73</u>	<u>5,888,286</u>	<u>66</u>
Total assets		<u>\$ 10,023,832</u>	<u>100</u>	<u>8,865,453</u>	<u>100</u>	Total liabilities and equity		<u>\$ 10,023,832</u>	<u>100</u>	<u>8,865,453</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

Appendix 6

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

HOCHENG CORPORATION**Statements of Comprehensive Income****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (note 6(v) and 7)	\$ 3,624,360	100	3,548,446	100
5000	Operating costs (note 6(f) and 7)	<u>2,632,283</u>	<u>73</u>	<u>2,543,923</u>	<u>72</u>
5900	Gross profit from operations before adjustment	992,077	27	1,004,523	28
5910	Less: Unrealized profit (loss) from sales	5,541	-	5,034	-
5920	Add: Realized profit (loss) on from sales	<u>5,034</u>	<u>-</u>	<u>4,453</u>	<u>-</u>
5950	Gross profit from operations	<u>991,570</u>	<u>27</u>	<u>1,003,942</u>	<u>28</u>
	Operating expenses:				
6100	Selling expenses	537,476	15	491,048	14
6200	Administrative expenses	191,777	5	152,717	4
6300	Research and development expenses	110,593	3	111,633	3
6450	Expected credit impairment loss	<u>1,175</u>	<u>-</u>	<u>2,150</u>	<u>-</u>
6300	Total operating expenses	<u>841,021</u>	<u>23</u>	<u>757,548</u>	<u>21</u>
6900	Operating profit	<u>150,549</u>	<u>4</u>	<u>246,394</u>	<u>7</u>
	Non-operating income and expenses:				
7100	Interest income (note 6(x))	134	-	378	-
7010	Other income (note 6(x) and 7)	111,321	3	89,097	2
7020	Other gains and losses, net (note 6(x))	(11,955)	-	(7,977)	-
7050	Finance costs (note 6(x))	(28,354)	(1)	(35,298)	(1)
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (note 6(g))	<u>1,039,139</u>	<u>29</u>	<u>(172,815)</u>	<u>(5)</u>
	Total non-operating income and expenses	<u>1,110,285</u>	<u>31</u>	<u>(126,615)</u>	<u>(4)</u>
7900	Profit before income tax	1,260,834	35	119,779	3
7950	Less: Income tax expenses (note 6(s))	<u>36,033</u>	<u>1</u>	<u>32,986</u>	<u>1</u>
	Profit	<u>1,224,801</u>	<u>34</u>	<u>86,793</u>	<u>2</u>
8300	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit	(14,047)	-	(2,224)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	195,015	5	149,479	4
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	101,309	3	34,229	1
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>(2,894)</u>	<u>-</u>	<u>(2,260)</u>	<u>-</u>
	Total components of other comprehensive income that will not be reclassified to profit or loss	<u>285,171</u>	<u>8</u>	<u>183,744</u>	<u>5</u>
8360	Components of other comprehensive income (loss)that will not be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(69,411)	(2)	(19,338)	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total components of other comprehensive income that will be reclassified to profit or loss	<u>(69,411)</u>	<u>(2)</u>	<u>(19,338)</u>	<u>-</u>
8300	Other comprehensive income (after tax)	215,760	6	164,406	5
8500	Total comprehensive income for the period	<u><u>\$ 1,440,561</u></u>	<u><u>40</u></u>	<u><u>251,199</u></u>	<u><u>7</u></u>
	Earnings per share (note 6(u))				
9750	Basic earnings per share (NT dollars)	<u><u>\$ 3.33</u></u>		<u><u>0.24</u></u>	
9850	Diluted earnings per share(NT dollars)	<u><u>\$ 3.28</u></u>		<u><u>0.24</u></u>	

See accompanying notes to parent company only financial statements.

Appendix 7

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

HOCHENG CORPORATION**Statements of Changes in Equity****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	Share capital		Retained earnings			Other Equity Items		Treasury shares	Total equity
	Ordinary Share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
Balance at January 1, 2020	\$ 3,698,536	13,079	843,052	458,116	326,229	29,502	284,941	(16,582)	5,636,873
Profit for the year ended December 31, 2020	-	-	-	-	86,793	-	-	-	86,793
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(4,913)	(19,338)	188,657	-	164,406
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	81,880	(19,338)	188,657	-	251,199
Earnings distribution and appropriation:									
Legal reserve appropriated	-	-	4,792	-	(4,792)	-	-	-	-
Other changes in capital surplus	-	214	-	-	-	-	-	-	214
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	49,998	-	(49,998)	-	-
Balance at December 31, 2020	3,698,536	13,293	847,844	458,116	453,315	10,164	423,600	(16,582)	5,888,286
Profit for the year ended December 31, 2021	-	-	-	-	1,224,801	-	-	-	1,224,801
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	(10,292)	(69,411)	295,463	-	215,760
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,214,509	(69,411)	295,463	-	1,440,561
Earnings distribution and appropriation:									
Legal reserve appropriated	-	-	13,188	-	(13,188)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(73,971)	-	-	-	(73,971)
Other changes in capital surplus	-	185	-	-	-	-	-	-	185
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	(18,117)	-	18,117	-	-
Balance at December 31, 2021	\$ 3,698,536	13,478	861,032	458,116	1,562,548	(59,247)	737,180	(16,582)	7,255,061

See accompanying notes to parent company only financial statements.

Appendix 8

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

HOCHENG CORPORATION**Statements of Cash Flows****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	For the Year Ended December 31,	
	2021	2020
Cash flows from operating activities:		
Profit before income tax	\$ 1,260,834	119,779
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	149,705	152,793
Amortization expense	5,375	5,375
Expected credit loss	1,175	2,150
Net profit on financial assets at fair value through profit or loss	(14)	-
Interest expense	28,354	35,298
Interest income	(134)	(378)
Dividend income	(46,592)	(36,651)
Share of (gain) loss of associates and joint ventures under the equity method	(1,039,139)	172,815
Gains on disposal of property, plant and equipment	(682)	(688)
Gains on disposal of investment properties	(95)	(24)
Unrealized gain from inter-affiliate accounts	507	581
Reversal of allowance for sales discounts	(6,248)	(11,131)
Total adjustments to reconcile profit (loss)	(907,788)	320,140
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable, net	(57,675)	(25,947)
Trade receivable, net	(51,910)	105,906
Other receivable	(3,393)	(531)
Inventories	1,463	182,156
Other current assets	10,623	(3,485)
Total changes in operating assets	(100,892)	258,099
Changes in operating liabilities:		
Notes payable	8,263	(159,567)
Accounts payable	21,070	75,799
Other payable	112,604	29,376
Other current liabilities	12,788	7,066
Decrease in net defined benefit liability	(26,374)	(25,727)
Total changes in operating liabilities	128,351	(73,053)
Total changes in operating assets and liabilities	27,459	185,046
Total adjustments	(880,329)	505,186
Cash inflows generated from operations	380,505	624,965
Interest received	134	378
Dividends received	1,017,951	53,990
Interest paid	(24,765)	(31,169)
Income taxes paid	(45,460)	(12,176)
Net cash flows from operating activities	1,328,365	635,988

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

HOCHENG CORPORATION**Statements of Cash Flows****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2021</u>	<u>2020</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(47,753)	(29,124)
Proceeds from disposal of financial assets at fair value through other comprehensive income	105,849	75,250
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	48,713	-
Acquisition of financial assets at fair value through profit or loss	(60,000)	-
Proceeds from capital reduction of investments accounted for using equity method	70,876	-
Acquisition of property, plant and equipment	(75,141)	(74,792)
Proceeds from disposal of property, plant and equipment	820	930
Increase in refundable deposits	(1,334)	(29,695)
Acquisition of intangible assets	(948)	(708)
Decrease in other non-current assets	1,169	4,317
Net cash flows from (used in) investing activities	<u>42,251</u>	<u>(53,822)</u>
Cash flows from (used in) financing activities:		
(Decrease) increase in short-term borrowings	(92,333)	37,958
Decrease in short-term notes and bills payable	(10,000)	(180,000)
Repayments of long-term borrowings	(174,970)	(202,511)
Payments of lease liabilities	380	(320)
Other non-current liabilities	(58,101)	(57,814)
Cash dividends paid	(73,971)	-
Net cash flows used in financing activities	<u>(408,995)</u>	<u>(402,687)</u>
Net increase in cash and cash equivalents	961,621	179,479
Cash and cash equivalents at beginning of period	420,388	240,909
Cash and cash equivalents at end of period	<u>\$ 1,382,009</u>	<u>420,388</u>

See accompanying notes to parent company only financial statements.

Appendix 9

HOCHENG CORPORATION

Ethical Corporate Management Best Practice Principles

Adopted by Board of Directors on March 22, 2022

Article 1 (Purpose of Adoption and Applicable Scopes)

These Principles are adopted to foster a corporate culture of ethical management and sound development.

These Principles are applicable to its business groups and organizations of the Company, which comprise its subsidiaries, any foundation to which the Company's direct or indirect contribution of funds exceeds 50 percent of the total funds received, and other institutions or juridical persons which are substantially controlled by the Company ("business group").

Article 2 (Ban on Unethical Conducts)

When engaging in commercial activities, directors, managers, employees, and mandataries of the Company or persons having substantial control over such companies ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.

Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers or other stakeholders.

Article 3 (Types of Benefit)

"Benefits" in these Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

Article 4 (Legal Compliance)

The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

Article 5 (Policies)

The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and obtain approval from the board of directors, and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.

Article 6 (Prevention Programs)

The Company shall in their own ethical management policy clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct ("prevention programs"), including operational procedures, guidelines, and training.

The prevention programs established in accordance with the preceding paragraph shall comply with relevant laws and regulations of the territory where the companies and their business group are operating.

In the course of developing the prevention programs, the Company is advised to negotiate with staff, labor unions members, important trading counterparties, or other stakeholders.

Article 7 (Scope of Prevention Program)

The Company shall establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly and review their adequacy and effectiveness on a regular basis.

With respect to the preceding paragraph, it is advisable to refer to prevailing domestic and foreign standards or guidelines in establishing the prevention programs, which shall at least include preventive measures against the following:

1. Offering and acceptance of bribes.
2. Illegal political donations.
3. Improper charitable donations or sponsorship.
4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.
5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.
6. Engaging in unfair competitive practices.
7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.

Article 8 (Commitment and Execution)

The Company shall request their directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.

TWSE/GTSM listed companies and their respective business group shall clearly specify in their rules and external documents and on the Company website the ethical corporate management policies and the commitment by the board of directors and senior management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

The Company shall compile documented information on the ethical management policy, statement, commitment and implementation mentioned in the first and second paragraphs and retain said information properly.

Article 9 (Ethical Management over Commercial Activities)

The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management.

Prior to any commercial transactions, the Company shall take into consideration the legality of their agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved.

When entering into contracts with their agents, suppliers, clients, or other trading counterparties, The Company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.

Article 10 (Ban on Bribery and Acceptance of Bribery)

When conducting business, the Company and its directors, managers, employees, mandataries, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.

Article 11 (Ban on Offering Illegal Political Donations)

When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, managers, employees, mandataries, and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

Article 12 (Ban on Improper Charity Donations or Sponsorship)

When making or offering donations and sponsorship, the Company and its directors, supervisors, managers, employees, mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

Article 13 (Unreasonable Presents, Hospitality or Other Improper Benefits)

The Company and its directors, managers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.

Article 14 (Ban on Infringement of Intellectual Property Rights)

The Company and its directors, supervisors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations, the Company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.

Article 15 (Ban on Engagement in Unfair Competitions)

The Company shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers,

suppliers, territories, or lines of commerce.

Article 16 (Prevention of Product of Service Impairment to Stakeholders)

In the course of research and development, procurement, manufacture, provision, or sale of products and services, the Company and its directors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services. It shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in their operations, with a view to preventing their products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the Company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the Company shall, in principle, recall those products or suspend the services immediately.

Article 17 (Organization and Responsibilities)

The directors, managers, employees, mandataries, and substantial controllers of the Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.

To achieve sound ethical corporate management, the Company shall establish a dedicated unit that is under the board of directors and avail itself of adequate resources and staff itself with competent personnel, responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis (at least once a year):

1. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
2. Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope, adopting accordingly programs to prevent unethical conduct, and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.
3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
4. Promoting and coordinating awareness and educational activities with respect to ethics policy.
5. Developing a whistle-blowing system and ensuring its operating effectiveness.
6. Assisting the board of directors and management in auditing and assessing whether

the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

Article 18 (Legal Compliance for Conduct of Business)

The Company and its directors, managers, employees, mandataries, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.

Article 19 (Recusal of Interests)

The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, supervisors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the Company.

When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, managers, and other stakeholders attending or present at board meetings of the Company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the Company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.

The Company' directors, managers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.

Article 20 (Accounting and Internal Control)

The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.

The internal audit unit of the Company shall, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans? including auditees, audit scope, audit items, audit frequency, etc., and examine accordingly the compliance with the prevention programs. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.

The results of examination in the preceding paragraph shall be reported to senior management and the ethical management dedicated unit and put down in writing in the form of an audit report to be submitted to the board of directors.

Article 21 (Operational Procedure and Guide of Conducts)

The Company shall establish operational procedures and guidelines in accordance with Article 6 hereof to guide directors, managers, employees, and substantial controllers on

how to conduct business. The procedures and guidelines should at least contain the following matters:

1. Standards for determining whether improper benefits have been offered or accepted.
2. Procedures for offering legitimate political donations.
3. Procedures and the standard rates for offering charitable donations or sponsorship.
4. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct.
7. Handling procedures for violations of these Principles.
8. Disciplinary measures on offenders.

Article 22 (Training Program and Audit)

The chairperson, general manager, or senior management of the Company shall communicate the importance of corporate ethics to its directors, employees, and mandataries on a regular basis.

The Company shall periodically organize training and awareness programs for directors, managers, employees, mandataries, and substantial controllers and invite the Company's commercial transaction counterparties so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.

The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.

Article 23 (Whistleblowing System)

The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:

1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow internal and external personnel of the Company to submit reports.
2. Dedicated personnel or unit appointed to handle the whistle-blowing system. Any tip involving a director or senior management shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.
3. Follow-up measures to be adopted depending on the severity of the circumstances after investigations of cases reported are completed. Where necessary, a case shall be reported to the competent authority or referred to the judicial authority.
4. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.
5. Confidentiality of the identity of whistle-blowers and the content of reported cases, and an undertaking regarding anonymous reporting.

6. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.
7. Whistle-blowing incentive measures.

When material misconduct or likelihood of material impairment to the Company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors or supervisors in written form.

Article 24 (Disciplinary and Appeal System)

The Company shall adopt and publish a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall make immediate disclosure on the Company's internal website of the title and name of the violator, the date and details of the violation, and the actions taken in response.

Article 25 (Information Disclosure)

The Company shall collect quantitative data about the promotion of ethical management and continuously analyze and assess the effectiveness of the promotion of ethical management policy. They shall also disclose the measures taken for implementing ethical corporate management, the status of implementation, the foregoing quantitative data, and the effectiveness of promotion on their company websites, annual reports, and prospectuses, and shall disclose their ethical corporate management best practice principles on the Market Observation Post System.

Article 26 (Review and Improvement of Regulations Concerning Ethical Management Policies and Measures)

The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, supervisors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.

Article 27 (Effecting)

The ethical corporate management best practice principles of each The Company shall be implemented after the board of directors grants the approval, and shall be sent to the supervisors and reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended.

When the Company submits its ethical corporate management best practice principles to the board of directors for discussion pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. Any objections or reservations of any independent director shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objections or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.

Appendix 10

HOCHENG CORPORATION

Earnings Distribution Table

for the Year 2021

Unit: NTD

		Amount
Beginning Undistributed Earnings		366,157,799
Add (Less):		
Changes to Actuarial Gains and Losses in Current Period (incl. DTA)	(10,292,195)	
Disposal of Equity Instruments Measured at Fair Value through Other Comprehensive Income	(18,117,985)	
Current Net Profit (Loss) after Tax	1,224,800,658	
		1,196,390,478
Earnings Distributable		1,562,548,277
Less:		
Legal Reserve	119,639,048	
Distribution Items:		
Shareholders' Bonus-Cash	73,970,722	193,609,770
Ending Undistributed Earnings		1,368,938,507

Note:

Shareholders' Bonus-Cash: $369,853,610 \times 0.2 = 73,970,722$

Chairman: Patrick Chiu

Manager: Chen, Shih-Chieh

Accounting Manager: Monica Luo

Appendix 11

Articles of Incorporation of Hocheng Corporation

Chapter One

General Provisions

Article1:

The company is organized in accordance with the provisions of the Company Act, named 和成欣業股份有限公司 and the English name is HOCHENG CORPORATION.

Article2:

The scope of business of the Corporation shall be as follows:

1. B202010 Mining of Non-metallic.
2. C802090 Cleaning Products Manufacturing.
3. C802200 Coating, Paint, Dye, and Pigment Manufacturing.
4. C805030 Plastic Daily Necessities Manufacturing.
5. C805070 Reinforced Plastic Products Manufacturing.
6. C901010 Ceramics and Ceramic Products Manufacturing.
7. C901050 Cement and Concrete Product Manufacturing.
8. C901060 Refractory Material Manufacturing.
9. CA01120 Copper Casting.
- 10.CA02010 Metal Structure and Building Component Manufacturing.
- 11.CA02050 Valve Manufacturing.
- 12.CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere Classified.
- 13.CA04010 Surface Treatments.
- 14.CB01010 Mechanical Equipment Manufacturing.
- 15.CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing.
- 16.CC01080 Electronic Component Manufacturing.
- 17.CE01010 General Instrument Manufacturing.
- 18.CN01010 Furnitue and Fittings Manufacturing.
- 19.CR01010 Fuel Gas Equipments, Materials and Parts Manufacturing.
- 20.E601020 Electric Appliance Installation.
- 21.E603130 Gas Water Heater Contractors.
- 22.E801010 Indoor Decoration.
- 23.E801020 Doors and Windows Installation Engineering.
- 24.E801070 Kitchen and Bath Facilities Construction.
- 25.F105050 Wholesale of Furniture, Bedding, Kitchen Utensils and Fixtures.

- 26.F106040 Wholesale of Plumbing Materials.
- 27.F106050 Wholesale of Pottery, Porcelain and Glassware
- 28.F108040 Wholesale of Cosmetics..
- 29.F110010 Wholesale of Clocks and Watches.
- 30.F111090 Wholesale of Building Materials.
- 31.F113010 Wholesale of Machinery.
- 32.F113020 Wholesale of Household Appliance.
- 33.F114010 Wholesale of Motor Vehicles.
- 34.34, F199990 Other Wholesale Trade.
- 35.F120010 Wholesale of Refractory Materials.
- 36.F205040 Retail Sale of Furniture, Bedding, Kitchen Utensils and Fixtures.
- 37.F206040 Retail Sale of Plumbing Materials.
- 38.F208040 Retail Sale of Cosmetics.
- 39.F210010 Retail Sale of Watches and Clocks.
- 40.F211010 Retail Sale of Building Materials
- 41.F213010 Retail Sale of Electrical Appliances
- 42.F214010 Retail Sale of Motor Vehicles
- 43.F220010 Retail Sale of Refractory Materials.
- 44.F299990 Retail Sale of Other Products.
- 45.F401010 International Trade.
- 46.H701010 Housing and Building Development and Rental.
- 47.H701020 Industrial Factory Development and Rental.
- 48.H701040 Specific Area Development.
- 49.J602010 Performing Arts Activities.
- 50.I503010 Landscape and Interior Designing.
- 51.F114030 Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories
- 52.F214030 Retail Sale of Motor Vehicle Parts and Motorcycle Parts, Accessories.
- 53.CF01011 Medical Devices Manufacturing
- 54.F108031 Wholesale of Medical Devices.
- 55.F208031 Retail Sale of Medical Apparatus.
- 56.ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval..
- 57.CD01060 Aircraft and Parts Manufacturing.

Article 2-1 :

The company shall handle guarantee business in accordance with relevant regulations due to business needs.

Article 3:

The company shall establish its head office in Taipei City, and may establish or abolish factories, branches or other branches at home and abroad if necessary through the resolution of the board of directors.

Article 4: Deleted.

Article 5:

The company may reinvest in related businesses for business needs, and shall not be subject to the restrictions stipulated in Article 13 of the Company Act.

Chapter Two. Shares

Article 6:

The total capital of the company is rated at NT\$5700 million, divided into NT\$570 million shares, at NT\$10 per share, of which 30 million shares are reserved for employee stock option certificates and may be issued in installments in accordance with the resolution of the board of directors.

Article 7:

All Company's shares are registered shares and the share certificates shall be affixed with the signatures or personal seals of the director representing the company, and shall be duly certified or authenticated by the bank which is competent to certify shares under the laws before issuance.. After the company's public offering of stocks, when issuing new stocks, the total number of shares issued for that time may be combined to print the stocks, or the printing of stocks may be exempted.

Article 8:

The rename and transfer of stocks shall cease within 60 days prior to the convening date of the regular shareholders' meeting, 30 days prior to the convening date of a special shareholders' meeting, or 5 days prior to the target date fixed by the issuing company for distribution of dividends and bonuses or other benefits.

Article 9:

The company's stock affairs shall be handled in accordance with relevant laws and regulations and the regulations of the competent authority.

Chapter Three: Shareholders' Meeting

Article 10:

There are two types of shareholder meetings: regular meetings and special meetings. Regular meetings shall be held once a year and within six months after the end of each

fiscal year; special meetings shall be convened in accordance with relevant laws and regulations when necessary.

Article 11:

Except restricted or in the circumstance of no voting power provided in Article 179-2 of Company Act, a shareholder shall have one voting power in respect of each share in his/her/its possession.

Article 12:

Unless otherwise stipulated by relevant laws and regulations, the resolutions of the shareholders meeting shall be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares. However, in the following circumstances, the resolutions of the shareholders meeting shall be adopted by a majority vote of the shareholders present, who represent more than two-third of the total number of voting shares or proxy.

1. Acquisition or merger of other domestic and foreign companies.
2. Dissolution or liquidation, division.

Article 13:

When a shareholder is unable to attend the shareholders meeting for some reason, he may entrust a proxy to attend the meeting in accordance with relevant laws and regulations.

Article 14:

The shareholders meeting shall be convened by the board of directors with the chairman of the board of directors as the chairman. When the chairman is absent due to certain circumstances, the chairman shall designate one of the directors to act as chair, and when such designation is not appointed, one of the directors shall elect among themselves to act as chair. It shall be convened by a convening authority other than the board of directors, and the chairman shall be the convening authority. If there are two or more convening persons, one of the other convening authorities shall be elected to serve as the chairman.

Article 14-1:

The resolutions of the shareholders meeting shall be recorded in minutes, signed, or sealed by the chairman of the shareholders meeting, and the minutes shall be distributed to all shareholders within 20 days after the meeting.

The production and distribution of the proceedings of the preceding paragraph shall be carried out electronically.

The dissemination of the minutes of the proceedings in Paragraph 1 and the companies that publicly issue stocks may do so by way of public announcement.

Chapter 4: Directors and Supervisors

Article 15:

The company shall have seven directors, who are elected by the shareholders' meeting with capacity for a term of three years and may be re-elected. The company's director election adopts a candidate nomination system, and the members of shareholders' meeting shall be selected from the list of director candidates. Among the aforementioned number of directors, the number of independent directors shall not be less than three and shall not be less than one-fifth of the total number of directors. The selection and appointment of independent directors adopts a candidate nomination system, and shall be selected from the list of independent director candidates. The professional qualifications, shareholding, term of office, part-time restriction, independence determination, nomination and selection methods, and other matters to be followed for independent directors shall be conducted in accordance with the Securities and Exchange Act and the relevant regulations of the competent authority in charge of securities affairs. After the company's shares are issued to the public, the total shareholdings of all supervisors shall meet the requirement as separately specified by the competent authority in charge of securities affairs.

Article 16: The board of directors is constituted by directors and, the board of directors shall elect a chairman of the board directors from among the directors by a majority vote at a meeting attended by over two-thirds of the directors. The chairman shall externally represent the company. . When the chairman of the board asks for leave or is unable to exercise his powers for any reason, his agency shall be handled in accordance with the relevant provisions of the Company Act. When the number of vacancies in the board of directors of a company equals one-third of the total number of directors, the board of directors shall call within 60 days, a special meeting of shareholders to elect succeeding directors to fill the vacancies.

The meetings of the Board of Directors shall be convened with a notice given to each director 7 days in advance in written, by fax or email, and if emergency, it shall be convened immediately.

Article 16-1:

In case a director appoints another director to attend a meeting of the board of directors in his/her behalf, he/she shall, in each time, issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting.

A director may accept the appointment to act as the proxy referred to in the preceding Paragraph of one other director only.

Article 17:

The resolution of the board of directors, unless otherwise stipulated by the Company Law, shall be carried out with the presence of more than half of the directors and the consent of more than half of the directors present.

Independent directors shall not be represented by non-independent directors if they are required to be mentioned in Article 14 of the Securities and Exchange Act. Independent directors shall not be represented by non-independent directors if they are not present in person; if independent directors cannot be represented in person, they may be represented by other independent directors.

If independent directors have objections or reservations to the preceding proposal, they shall issue written opinions in advance and record them in the minutes of the board of directors.

Article 17-1: In compliance with Articles 14-4 of the Securities and Exchange Act, the Company shall establish an Audit Committee, which shall be composed of the entire number of independent directors. The provisions regarding supervisors in the Company Act, Securities and Exchange Act and other laws and regulations shall apply mutatis mutandis to the audit committee and members of the audit committee.

Article 18: When the directors of the company conduct business affairs, regardless of the company's operating profit or loss, shall be paid with compensation. The compensation is determined by board of directors, taking into account the extent and value of the services provided for the management of the Company and the standards of the same industry..

Article 18-1:

The company may purchase liability insurance for the directors during their term of office for the scope of business performed by the directors in accordance with the law.

Chapter 5 Manager

Article 19:

The company may have one or more managerial personnel, and appointment and discharge and the remuneration of the managerial personnel shall be decided in accordance with the Company Act.

Chapter 6 Accounting

Article 20:

At the close of each fiscal year, starting from January 1 until December 31, the board of directors shall prepare the statements and records of (1) the business report; (2) the financial statements; and (3) the surplus earning distribution or loss off-setting

proposals; and shall forward the same to supervisors for their ratification of a general meeting of shareholders..

Article 21:

If there is a profit in the company's annual final accounts, the remuneration of employees and directors shall be provided separately.

The employee compensation rate is 5% to 8% of the annual profit.

The director's remuneration rate is set at an upper limit of 3% of annual profit.

The allocation procedures shall be handled in accordance with relevant regulations.

Article 21-1:

The company, when allocating its surplus profits after having paid all taxes and dues, shall first set aside ten percent of said profits as legal reserve, and shall set aside remaining profit as special reserve in accordance with laws and regulations. Aside from the aforesaid legal reserve, the company may, under its Articles of Incorporation, set aside another sum as special reserve. . If there is still surplus, the shareholders meeting will distribute dividends to shareholders based on the surplus and the undistributed surplus accumulated in previous years.

The distribution of dividends to shareholders is subject to the company's operating conditions and capital needs, and the board of directors shall propose a proposal and send it to the shareholders meeting for approval. Priority is given to cash dividends. When cash dividends and stock dividends are paid at the same time, the cash dividends shall not be less than 10% of the total dividends paid. When the statutory surplus reserve has reached the total capital, it may be subject to a resolution of the shareholders meeting to stop the allocation. The statutory surplus and capital reserve shall be paid as dividends and bonuses, as required by relevant laws and regulations, and shall also be distributed after the board of directors proposes to send it to the shareholders meeting for approval.

Article 22: The company's articles of incorporation and details of rules shall be separately formulated by the board of directors.

Article 23:

Any matter not provided in these Rules and Procedures shall be handled in accordance with Company Act, the Articles of Incorporation of the Company and any other relevant laws and regulations.

Article 24:

This Articles of Association was established on Nov. 23, 1961. The first amendment was made on Dec. 1, 1962. The second amendment was made on May 9, 1968. The third

amendment was made on Oct. 5, 1970. The fourth amendment was made on May 31, 1972. The fifth amendment was made on Sep. 5, 1975. The sixth amendment was made on Oct. 25, 1976. The seventh amendment was made on Jan. 16, 1980. The eighth revision was made on Oct. 1, 1980. The ninth amendment was made on Oct. 3, 1981. The tenth amendment was made on Jul. 10, 1982. The eleventh amendment was made on Jul. 10, 1987. The twelfth revision was made on May 31, 1989. The thirteenth amendment was made on Oct. 15, 1989. The fourteenth amendment was made on Apr. 31, 1990. The fifteenth amendment was made on Apr. 30, 1991. The sixteenth amendment was made on Sep. 21, 1991. The seventeenth amendment was made on Apr. 31, 1992. The eighteenth amendment was made on Apr. 30, 1993. The nineteenth amendment was made on Apr. 30, 1994. The twentieth revision was made on May 20, 1995. The twenty-first amendment was made on May 31, 1996. The twenty-second revision was made on May 28, 1997. The twenty-third revision was made on May 29, 1998. The twenty-fourth amendment was made on May 31, 2000. The twenty-fifth amendment was made on May 31, 2001. The twenty-sixth amendment was made on Jun. 26, 2002. The twenty-seventh amendment was made on Jun. 28, 2004. The twenty-eighth amendment was made on Jun. 29, 2005. The twenty-ninth amendment was made on Jun. 31, 2006. The thirtieth amendment was made on Jun. 19, 2009. The thirty-first amendment was made on Jun. 25, 2010. The thirty-second amendment was made on Jun. 28, 2011. The thirty-third amendment was made on Jun. 21, 2012. The thirty-fourth amendment was made on Jun. 27, 2014. The thirty-fifth amendment was made on Jun. 29, 2016. The thirty-sixth amendment was made on Jun. 28, 2017. The thirty-seventh amendment was made on Jun. 28, 2018. The thirty-eighth amendment was deleted on June 29, 2020 concerning the relevant regulations of the supervisory personnel in this Articles of Incorporation, and it will take effect on the day of the establishment of the Audit Committee. It will take effect from the date when the submission is approved by the competent authority for registration, and the same applies to amendments.

HOCHENG Corporation
Chairman: Chiu Li-Chien

Appendix 12

HOCHENG CORPORATION

**Comparison Table for Amendments to Partial Articles of
Procedures for Acquisition and Disposal of Assets before and
after Amendment**

Amended Article	Current Article	Explanations
<p>Article 2-1</p> <p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <p>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</p>	<p>Article 2-1</p> <p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <p>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</p>	<p>1. Taking into account that the trade associations to which external experts belong have relevant regulations for the related businesses they undertake e.g. professional appraisers issuance of appraisal reports are moderated by self-discipline regulations related to real estate appraisal, while the trade associations of other external experts shall also amend its relevant self-discipline regulations by incorporating the vendors or its personnel following the "Practical Guidelines for Experts Issuing Opinions" by Taiwan Stock Exchange Corporation, to clarify the procedures and responsibilities that</p>

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<p>the period of a suspended sentence, or since a pardon was received.</p> <p>2. May not be a related party or de facto related party of any party to the transaction.</p> <p>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 <u>the self-regulatory rules of the industry associations to which they belong and with the</u> following provisions:</p> <p>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>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</p>	<p>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>2. May not be a related party or de facto related party of any party to the transaction.</p> <p>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 provisions:</p> <p>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>2. When examining a case, they shall appropriately</p>	<p>external experts should follow, preamble of Paragraph 2 is amended to regulate professional appraisers and their appraisers, accountants, Lawyers or securities underwriters who issue appraisal reports or opinions shall, in addition to handling in accordance with subparagraphs under the current Paragraph 2, follow the self-discipline regulations of their respective trade associations.</p> <p>2. The term “examining” in paragraph 2, subparagraph 2 herein is replaced with “conducting” due to the fact that the appraisal reports or opinions provided by professional appraisers does not refer to the examinations on the financial reports.</p> <p>3. In consideration of the actual evaluation on the data sources, parameters and information applied in external experts and with reference to</p>

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<p>working papers.</p> <p>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.</p> <p>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 and</u> reasonable, and that they have complied with applicable laws and regulations.</p>	<p>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.</p> <p>3. They shall undertake an item-by-item evaluation of <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.</p> <p>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 <u>and accurate,</u> and that they have complied with applicable laws and regulations.</p>	<p>Article 9, Paragraph 4, Subparagraph 4, Item 3-5 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, per 25 December 2014 letter (103) Ji-Mi-Zi-No. 0000000298 by the Accounting Research and Development Foundation of the Republic of China, and Article 27 in Evaluation Standards No. 8 with respect to texts relevant to appropriateness and reasonableness of source of information and parameters, the texts in Paragraph 2, Subparagraphs 3 and 4 herein are therefore amended to meet the practices.</p>

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<p>Article 5 In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> 1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction. 2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more 	<p>Article 5 In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> 1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any 	<ol style="list-style-type: none"> 1. Given the amendment to Article 2-1 herein that “professional appraisers providing the Company with appraisal reports or opinions shall meet the requirements in the existing paragraphs as well as the industry code of the respective affiliated trade associations” has entailed the procedure to be performed by a certified public accountant, texts with respect to appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) in Paragraph 1, Subparagraph 3 is therefore deleted. 2. Taking into account the prevailing provision to the construction industry that “if an appraisal report cannot be obtained in time and there is a legitimate reason for the delay, the appraisal report shall

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<p>professional appraisers shall be obtained.</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>(2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the</p>	<p>subsequent change to the terms and conditions of the transaction.</p> <p>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal <u>in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF)</u></p>	<p>be obtained within 2 weeks counting inclusively from the date of occurrence” and “an additional certified public accountant's opinion shall be obtained where there is discrepancy reaching a certain proportion or more between the appraisal result and transaction price in the appraisal report obtained within 2 week from the date of occurrence under Paragraph 1, Subparagraph 3”, considering the time required in practice, Paragraph 2 herein is therefore amended to relax the time limit for obtaining the certified public accountant's opinion as prescribed above for construction industry to within 2 weeks counting inclusively from the day the appraisal report is obtained.</p>

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<p>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.</p> <p>Except where a limited price, specified price, or special price is employed by a construction enterprise as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a legitimate reason for the delay, the appraisal report shall be obtained within 2 weeks counting inclusively from the date of occurrence, and the certified public accountant's opinion under subparagraph 3 of the preceding paragraph shall be obtained <u>within 2 weeks counting inclusively from the day the appraisal report is obtained</u>.</p>	<p>and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>(2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; 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.</p> <p>Except where a limited price, specified price, or</p>	

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	<p>special price is employed by a construction enterprise as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a legitimate reason for the delay, the appraisal report shall be obtained within 2 weeks counting inclusively from the date of occurrence, and the certified public accountant's opinion under subparagraph 3 of the preceding paragraph shall be obtained.</p>	
<p>Article 6 In acquiring or disposing of securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that</p>	<p>Article 6 In acquiring or disposing of securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the</p>	<p>Amended under the same reason as that of Article 5.</p>

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<p>have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p>	<p>reasonableness of the transaction price. <u>If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u> This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p>	
<p>Article 7 Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, <u>except in transactions with a domestic government agency</u>, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.</p>	<p>Article 7 Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price, <u>and the accountant shall transact in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and</u></p>	<p>Amended under the same reason as that of Article 5, with new texts added.</p>

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	<u>Development Foundation (ARDF).</u>	
<p>Article 9 When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a transaction counterparty. 3. With respect to the acquisition of real property or right-of-use assets thereof from a 	<p>Article 9 When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing 	<ol style="list-style-type: none"> 1. Paragraphs 3 to 5 in current articles reordered to Paragraphs 2 to 4 in the amended article. 2. Paragraph 5 added: <ol style="list-style-type: none"> (1) To strengthen the management over transaction with related parties and to protect the rights of minority shareholders of public companies to express their opinions on the transactions between the Company and related parties, the provisions adopted in major international capital markets such as Singapore and Hong Kong specifying that transactions with major related parties shall be submitted in advance to the shareholders' meeting for approval has been referred to; in addition, to avoid

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<p>related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 10 and Article 11 herein.</p> <p>4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</p> <p>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 fund's utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with Article 12-1 herein.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of</p>	<p>the related party as a transaction counterparty.</p> <p>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 10 and Article 11 herein.</p> <p>4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</p> <p>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 fund's utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's</p>	<p>the trading with major related parties by a public company who conducts such trading via its subsidiary which is not public domestically, if evasion is required, the relevant information must be submitted to the shareholders' meeting for approval. Therefore, it is specified in the Article herein that where the Company acquires or disposes of assets with a related party as prescribed in Paragraph 1 and the transaction amount is more than 10% of the total assets of the public company, the public company shall submit the relevant information to the shareholders' meeting for approval in advance, and where such approval is required by a non-public subsidiary shall be handled by</p>

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<p>the issued shares or authorized capital, the Company's board of directors may pursuant to Article 4-1, paragraph 1, subparagraph 3 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting:</p> <p>1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p>2. Acquisition or disposal of real property right-of-use assets held for business use.</p> <p>Where the position of independent director has been created in accordance with the provisions of the Act, when a matter is submitted for discussion by the board of directors pursuant to paragraph 1, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>Where an audit committee has been established in accordance with the provisions of the Act, the matters for which paragraph 1 requires recognition by the supervisors shall first be</p>	<p>opinion obtained in compliance with Article 12-1 herein.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 18, 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 in accordance with the Regulations need not be counted toward the transaction amount.</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's board of directors may pursuant to Article 4-1, paragraph 1,</p>	<p>its parent public company of a higher hierarchy.</p> <p>(2) In consideration of the needs in overall business plans between the Company and its parent company or subsidiary, or between its subsidiaries, as well as the prescriptions on the exemption for the main capital markets prescribed above, it has been relaxed in the clause that transactions by the said companies may exempt from submission to the shareholders' meeting for approval.</p> <p>(3) In addition, where the significant related party transaction mentioned in the preceding paragraph falls under the circumstances specified in Paragraph 1, Subparagraphs 1 to 3 of Article 185 of the Company Act, the resolution of the shareholders'</p>

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<p>approved by one-half or more of all audit committee members and then submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 33, paragraphs 4 and 5 herein.</p> <p><u>If the Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 1 and the transaction amount will reach 10 percent or more of the Company's total assets, the Company shall submit the materials in all the subparagraphs of paragraph 1 to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the Company and its parent company or subsidiaries or between its subsidiaries.</u></p> <p>The calculation of the transaction amounts referred to in <u>paragraph 1</u> and the preceding paragraph shall be made in accordance with Article 18, 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 <u>shareholders meeting or</u> board of directors and recognized by the</p>	<p>subparagraph 3 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting:</p> <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>Where the position of independent director has been created in accordance with the provisions of the Act, when a matter is submitted for discussion by the board of directors pursuant to paragraph 1, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>Where an audit committee has been established in accordance with the provisions of the</p>	<p>meeting shall be made by respective proposal via special resolution in accordance with Article 185 of the Company Act and shall be handled in accordance with the preceding matters and the relevant provisions of the Company Act.</p> <p>3. Paragraph 2 of the existing article reordered to Paragraph 6 of the amended article, with amendments to amount calculation incorporated into transaction requiring approval by a shareholders' meeting following addition to Paragraph 5.</p>

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supervisors in accordance with the Regulations need not be counted toward the transaction amount.	Act, the matters for which paragraph 1 requires recognition by the supervisors shall first be approved by one-half or more of all audit committee members and then submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 33, paragraphs 4 and 5 herein.	
<p>Article 28 Under any of the following circumstances, in 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 regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. 2. Merger, demerger, acquisition, or transfer of shares. 	<p>Article 28 Under any of the following circumstances, in 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 regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale 	<ol style="list-style-type: none"> 1. In consideration that public companies engaging in the trading of domestic bonds are exempted from the public disclosure and filing of such trading, it has been relaxed that foreign government bonds with credit ratings no lower than that of domestic sovereign rating may also be exempted from the public disclosure and filing. 2. In consideration of the simple nature of foreign government bond commodities and the preferred credibility of foreign ordinary corporate bonds as well as the similarity in the commodity nature of exchange-traded note and exchange-traded fund in addition, paragraph 1, subparagraph 7, item 2 is therefore amended to relax subscription of foreign government bonds, subscription or

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<p>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <p>(1) For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>(2) For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>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.</p> <p>6. Where land is acquired under an arrangement on engaging</p>	<p>agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>2. Merger, demerger, acquisition, or transfer of shares.</p> <p>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <p>(1) For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>(2) For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>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</p>	<p>resale of exchange-traded note by investment professionals with additional exemption from public announcement and regulatory filing.</p>

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<p>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 furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.</p> <p>(2) Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of foreign government bonds, or of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and</p>	<p>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.</p> <p>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 furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area</p>	

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<p>issued in the 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>(3) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year. 3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year. 	<p>reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <ol style="list-style-type: none"> (1) Trading of domestic government bonds. (2) Where done by professional investors—securities trading on securities exchanges or OTC markets, or of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or redemption of exchange traded notes, 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. (3) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. 	

Amended Article	Current Article	Explanations
<p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Regulations need not be counted toward the transaction amount.</p> <p>A public company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When a public company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>In acquiring or disposing of assets, a public company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.</p>	<p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year. 3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year. 4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Regulations need not be counted toward the transaction amount.</p> <p>A public company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not</p>	

Amended Article	Current Article	Explanations
	<p>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.</p> <p>When a public company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>In acquiring or disposing of assets, a public company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.</p>	

Appendix 13

HOCHENG CORPORATION

Procedures for Acquisition and Disposal of Assets

Chapter I General Provisions

Article 1 Purpose and Legal Bases

These Procedures are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act ("the Act") and Regulations Governing the Acquisition and Disposal of Assets by Public Companies (hereinafter "the Regulations").

The Company shall handle the acquisition or disposal of assets in compliance with these Procedures; provided, where financial laws or regulations provide otherwise, such provisions shall govern.

When banks, insurance companies, bill finance companies, securities firms, futures commission merchants, leverage transaction merchants, or other financial enterprises whose operation requires special approval, conduct derivatives trading business or engage in derivatives trading, they shall do so in accordance with the provisions of the other laws and regulations that govern their sectors, and are exempt from the provisions of Chapter II, Section IV herein.

Article 2 Scope of Application for these Procedures and Definition of Terms

1. The term "assets" includes the following:

- (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 land use.
- (6) Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- (7) Derivatives.
- (8) Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
- (9) Other major assets.

2. Terms are defined as follows:

- (1) Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- (2) Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of

shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.

- (3) Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- (4) Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- (5) Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors' resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- (6) Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- (7) Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.
- (8) Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
- (9) Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

Article 2-1

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:

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.
2. May not be a related party or de facto related party of any party to the transaction.

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 provisions:

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.

Chapter II Disposition Procedures

Section I Adoption of Disposition Procedures

Article 3 Evaluation Procedure

Price Determining Method and References

1. Trading of securities at centralized securities exchange market or OTC venue shall be identified and determined following the market value of stock or bond at time when such securities are acquired or disposed.
2. With respect to trading of securities not at centralized securities exchange market or OTC venue, the Company shall, take reference in consideration of the net values per share, profitability, future potential of development, market interest rate, coupon rate of bonds, debtor credibility, etc. The transaction conditions and price shall be resolved following the expert opinion or market value of stock or bond at time when such securities are acquired or disposed.
3. In acquiring or disposing of real property and right-of-use assets thereof, explanations on the reason for such transaction signed and reported by the unit accountable and reference to publicly announced current value, appraised value, actual transaction price for the nearby properties, etc. by the authority shall be taken before resolving the transaction conditions and price, with either inquiry, price comparison, price negotiation or tender performed. Where the transaction meets the criteria of public announcement and regulatory filing under these Procedures, a

professional appraiser shall be engaged for appraisal of such transaction otherwise.

4. In acquiring or disposing of intangible assets including patent, copyright, trademark, franchise, etc., as well as merger, demerger, acquisition, or transfer of shares, and derivatives or other important assets, the Company shall, take reference in consideration of the profitability and future potential of development, with reference to opinions by the professional appraisers eligible for engagement in appraisal in accordance with relevant laws and regulations.

Article 4 Operation Procedure

1. Hierarchy of Authorization

1. Hierarchy of authorization in the transaction of derivatives shall be handled in accordance with Article 18 herein.
2. In acquiring or disposing of long-and-short-term securities, real property and other fixed assets, intangible assets, merger, demerger, acquisition, or transfer of shares or other important assets, the Company shall perform in accordance with table for official authorities under the Company's regulations with respect to human resources or relevant provisions and shall submit to the board of directors' meetings for discussion in accordance with these Procedure.

2. Unit of Conduct

Acquisition and disposal of long-and-short-term securities, real property and other fixed assets, intangible assets, merger, demerger, acquisition, or transfer of shares or other important assets by the Company shall be conducted by the units engaged in the use of said items as well as relevant authorities, with transaction process taken in accordance with provisions herein or relevant regulations.

Article 4-1

The Company shall specify the following items in these Procedures for Acquisition and Disposal of Assets, and handle the acquisition or disposal matters in compliance with the procedures:

1. The scope of assets.
2. Appraisal procedures: Shall include the means of price determination and supporting reference materials.
3. Operating procedures: Shall include the degree of authority delegated, the levels to which authority is delegated, the units responsible for implementation, and transaction process.
4. Public announcement and regulatory filing procedures.
5. Total amounts of real property and right-of-use assets thereof or securities acquired by the Company and each subsidiary for business use, and limits on individual securities.

6. Control procedures for the acquisition and disposal of assets by subsidiaries.
7. Penalties for personnel violating these Regulations or the procedures for the acquisition or disposal of assets.
8. Other important matters.

Where the Company engages in any related party transaction, engages in derivatives trading, or conducts a merger, demerger, acquisition, or transfer of shares of enterprises shall, in addition to conducting such matters in compliance with the provisions of the preceding paragraph and the preceding two Articles, the Company shall also adopt related procedures in accordance with the provisions of Section III through Section V of this Chapter.

If the Company does not intend to engage in derivatives trading, it may, after obtaining the approval of the board of directors, be exempted from adopting procedures governing derivatives trading. If it subsequently wishes to engage in derivatives trading, it will still be required first to comply with the provisions of the Article 33 herein and the preceding paragraph before doing so.

The Company shall see to it that its subsidiaries adopt and implement these Procedures for the Acquisition or Disposal of Assets in compliance with the Regulations.

Section II Acquisition or Disposal of Assets

Article 5

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

1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

- (1) The discrepancy between the appraisal result and the transaction amount is 20

percent or more of the transaction amount.

(2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.

4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; 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.

Except where a limited price, specified price, or special price is employed by a construction enterprise as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a legitimate reason for the delay, the appraisal report shall be obtained within 2 weeks counting inclusively from the date of occurrence, and the certified public accountant's opinion under subparagraph 3 of the preceding paragraph shall be obtained.

Article 6

In acquiring or disposing of securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

Article 7

Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price, and the accountant shall transact in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF).

Article 7-1

The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 28, 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 for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained in accordance with the Regulations need not be counted toward the transaction amount.

Article 8

Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Section III Related Party Transactions

Article 9

When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a transaction counterparty.
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 10 and Article 11 herein.
4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
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 fund's utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with Article 12-1 herein.
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 18, 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 board of directors and recognized by the supervisors in accordance with the Regulations need not be counted toward the transaction amount.

With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it

directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's board of directors may pursuant to Article 4-1, paragraph 1, subparagraph 3 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting:

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.

Where the position of independent director has been created in accordance with the provisions of the Act, when a matter is submitted for discussion by the board of directors pursuant to paragraph 1, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

Where an audit committee has been established in accordance with the provisions of the Act, the matters for which paragraph 1 requires recognition by the supervisors shall first be approved by one-half or more of all audit committee members and then submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 33, paragraphs 4 and 5 herein.

Article 10

Where the Company acquires real property or right-of-use assets thereof from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means:

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.
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.

Where the Company 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, the Company shall also engage a CPA to check the appraisal and render a specific opinion.

Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 9, and the preceding three paragraphs do not apply:

1. The related party acquired the real property or right-of-use assets thereof 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 right-of-use assets thereof 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 its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

Article 11

When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 12. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing

practices.

2. Where the Company acquires real property, or obtains real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

Article 12

Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the preceding two articles are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company which is a public company, then the special reserve called for under Article 41, paragraph 1 of the Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company.
2. Supervisors shall comply with Article 218 of the Company Act. Where an audit committee has been established in accordance with the provisions of the Act, the preceding part of this subparagraph shall apply mutatis mutandis to the independent director members of the audit committee.
3. Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

Where the Company has set aside a special reserve under the preceding paragraph, the Company may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.

Article 12-1

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 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 7-1 herein.

When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

Section IV Engaging in Derivatives Trading

Article 13

Where the Company engages in derivatives trading, the Company shall pay strict attention to control of the following important risk management and auditing matters, and incorporate them into the Procedures:

1. Trading principles and strategies: Shall include the types of derivatives that may be traded, operating or hedging strategies, segregation of duties, essentials of performance evaluation, total amount of derivatives contracts that may be traded, and the maximum loss limit on total trading and for individual contracts.
2. Risk management measures.
3. Internal audit system.
4. Regular evaluation methods and the handling of irregular circumstances.

Article 13-1

Principles and Guidelines in Engagement in Derivatives Trading

1. Management and Hedging Strategies

(1) Nature of Trading

And derivatives trading shall be sorted by hedging and non-hedging (in terms of finance):

Hedging Trading: Counter-positions established to lower or squeeze any position at risks in the currently owned assets, liabilities or net values.

Non-Hedging Trading: Refers to all the trading without the nature of hedging and for gaining profits in the future fluctuation in price.

- (2) When engaging in derivatives trading, the Company shall primarily conduct such trading with the purpose of risk avoidance on the

commodities for avoiding risks arising from business of the Company in main.

2. Division of Authorities

(1) Finance Unit

Engaging in derivatives trading and transaction techniques, with grasps on rules, relevant regulations and risks as well as collection on instant market information to identify tendencies in the market in accordance with Company policy and instructions and authorization by the managerial level.

(2) Accounting Unit

Accounts processing and registration with respect to trading by the Finance Unit as well as preparation of periodic financial statements for instant disclosure of information

(3) Audit Unit

Check, risk assessment and confirmation on compliance of trading procedure for various transactions.

3. Performance Assessment

(1) Prior to each transaction, projected goals shall be set forth using the “Derivatives Trading Application”. In addition, the transactions shall be under review periodically, with the review results incorporated in the performance assessment.

(2) The trading personnel shall assess the gain/loss of the positions held with respect to derivatives and submit the assessment to the supervisor of Finance Unit.

4. Total Amount in Contract and Stop Loss

(1) The total amount in contract shall, based on needs of hedging, adopt a maximum based on its nominal principal, with the stop-loss point set at 30 percent of the nominal principal.

(2) The total contract in amount for non-hedging commodities shall not exceed USD 20 million, and each transaction shall not exceed USD 5 million. The stop-loss point is set at 30 percent of the contract amount.

Article 14

Operational Procedure in the Engagement in Derivatives Trading

1. Limits to Authorization

The amounts for daily transaction or a single transaction shall be approved by personnel designated with appropriate level of authorization before conduct:

Level	Limit for Daily Transaction/Single Transaction	
	Hedging Transactions	Non-Hedging Transactions
Chair	USD 10 million+	USD 10 million+

General Manager	USD 10 million	USD 10 million
Finance Manager	USD 1 million	USD 1 million

2. Transacting Personnel and Their Duties

(1) Finance Manager

- A. Supervisions on derivatives trading.
- B. Authorization on derivatives trading.

(2) Associate Manager of Finance (Confirmation Personnel)

- A. Control over trading.
- B. Periodic accounts confirmation with banks having trading with.

(3) Head of International Funds Section (Trading Personnel)

- A. Handling derivatives trading.
- B. Periodic submission of evaluation report to the managerial roles of manager (assistant manager).

(4) Assistant Manager of International Funds Section (Settlement Personnel)

Responsible for settlement of derivatives upon maturity.

3. Applying for Sheet of Approval

“Derivatives Trading Application” shall be filled out for approval by appropriate managerial roles by levels of authorization prior to handling of various transactions.

4. With respect to each bank the Company has derivatives trading with, the banks shall deliver in advance a notice containing the information about its personnel responsible for the Company’s engagement in derivative trading and their duties to enable the Company’s control over the undertaking of each transaction. Receipt of such notice shall be confirmed by each bank.

Article 15

Public Announcement and Regulatory Filing Procedure for Engagement in Derivatives Trading

The Company shall make, on a monthly basis, public announcements on the engagement in derivatives trading by itself and its subsidiaries as of the end of the previous month as well as the monthly operation status. The announcement contents shall be filed by submission to the Securities and Exchange Commission (SEC).

Article 16

Accounting Processing in the Engagement in Derivatives Trading

1. Registering the derivatives trading by characteristics of commodity following completion of each transaction.
2. Assessment on the gain/loss in accordance with market value at the end of month and its disclosure in its financial statements.
3. The Company shall, along with its accountant(s), adopt principles of a robust and sustained management as well as sufficient disclosure to accurately reflect the nature

of transactions.

Article 17

Where the Company engages in derivatives trading, the Company shall adopt the following risk management measures:

- 一、 Risk management shall address credit, market, liquidity, cash flow, operational, and legal risks.
- 二、 Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
- 三、 Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.
- 四、 Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.
- 五、 Other important risk management measures.

Article 17-1

Internal Control System in the Engagement in Derivatives Trading

1. Risk Management

(1) Credit Risk

The transaction counterparties shall be banks the Company has trading with who can provide professional information. In addition, transaction positions shall be spread in various banks to lower the risk.

(2) Market Risk

Keeping in close correspondences with trading units of various banks and having grasps and monitoring of market trends.

(3) Fluidity Risk

Trading personnel shall be equipped with capability of accurate cash flow projection. The banks selected as counterparties shall be equipped with sufficient equipment, information and trading capability as well as availability to perform trading in any market.

(5) Operation Risk

The limits of authorization and operation process shall be followed to avoid risks with respect to operations.

(5) Legal Risk

Any document entered into with the banks shall be researched in prudence, with internationally standardized documents such as ISDA(International Swaps and Derivatives Association) Master Agreement to avoid risks with respect to laws,

2. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
3. The confirmation personnel shall from time to time perform checks with reference to bank confirmations.
4. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.
5. Senior management personnel designated shall pay continuous attention to monitoring and controlling derivatives trading risk and periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance. Where there is irregular circumstances indicated in the market value evaluation report (e.g. position(s) owned exceeding maximum of loss), such circumstances shall be reported to the board of directors' meeting, with countermeasures adopted as necessary.

Article 18

Internal Audit System in the Engagement in Derivatives Trading

1. internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report.
2. The internal audit unit shall make filings to the SEC the audit report as referred to in the preceding paragraph along with annual audit on the implementation of internal audit operations of the year by the end of February next year; in addition, improvement on irregular circumstances shall be filed by submission to the SEC by the end of May next year for recordation.

Article 18-1

Where the Company engages in derivatives trading, its board of directors shall faithfully supervise and manage such trading in accordance with the following principles:

1. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.
2. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance

Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:

1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the Regulations and the procedures for engaging in derivatives trading formulated by the Company

2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where the Company has independent directors, an independent director shall be present at the meeting and express an opinion

The Company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.

Article 18-2

Where the Company engages in derivatives trading, the Company shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors' approval dates, and the matters required to be carefully evaluated under subparagraph 4 of Article 18 and subparagraph 2 of paragraph 1, and subparagraph 1 of paragraph 2, of the preceding article shall be recorded in detail in the log book.

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

Where independent directors have been appointed in accordance with the provisions of the Act, for matters for which notice shall be given to the supervisors under the preceding paragraph, written notice shall also be given to the independent directors.

Where an audit committee has been established in accordance with the provisions of the Act, the provisions of paragraph 2 relating to supervisors shall apply mutatis mutandis to the audit committee.

Section V Mergers and Demergers, Splits, Acquisitions, and Transfer of Shares

Article 19

Where the Company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

Article 20

A public company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

Article 21

A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
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.
3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors' meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's

shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding two paragraphs.

Article 22

Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares

Article 23

Where the Company participates in a merger, demerger, acquisition, or transfer of shares, the Company may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

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.
2. An action, such as a disposal of major assets, which affects the Company's financial operations.
3. An event, such as a major disaster or major change in technology, which affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

Article 24

The contract for participation by the Company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the

merger, demerger, acquisition, or transfer of shares, and shall also record the following:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 25

After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

Article 26

Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 21, Article 22, and the preceding article.

Section VI Scope and Limits of Investments by the Company and Its Subsidiaries

Article 27

Scope and Limits of Investments

1. In addition to acquiring assets for business use, the Company may also engage in investments for purchases of non-business real properties and securities under the scope and limits prescribed respectively as follows:
 1. The scope of investments include land, plants, office buildings, housing, stocks, public bonds, corporate bonds, financial bonds, domestic benefit certificates, overseas mutual funds, depositary receipts, call (put) warrants, etc.
 2. The total amount of investment in non-business real property may not be more

than 100 percent of the net value of the Company.

3. The total amount of securities investments may not be more than 100 percent of the current net value; The total amount of investment in a single security may not be more than 50 percent of the current net value. The total amount of investment in long- and short-term equity may not be more than the current shareholders' equity.
2. In addition to assets for business use, subsidiaries of the Company may also engage in investments for purchases of non-business real properties and securities under the scope and limits prescribed respectively as follows:
 1. The scope of investments include land, plants, office buildings, housing, stocks, public bonds, corporate bonds, financial bonds, domestic benefit certificates, overseas mutual funds, depositary receipts, call (put) warrants, etc.
 2. The total amount of investment in non-business real property may not be more than 100 percent of the net value of the subsidiary of the Company.
 3. The total amount of securities investments may not be more than 100 percent of the current net value; The total amount of investment in a single security may not be more than 30 percent of the current net value. The total amount of investment in long- and short-term equity may not be more than the current shareholders' equity. However, where the subsidiary is a holding company, the subsidiary may engage in investments in securities with the total amount no more than 160 percent of the current net value of the subsidiary; the total amount of investment in a single security may not be more than 100 percent of the current net value of the subsidiary.

Chapter III Information Disclosure

Article 28

Under any of the following circumstances, in 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 regulations within 2 days counting inclusively from the date of occurrence of the event:

1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
2. Merger, demerger, acquisition, or transfer of shares.
3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.

4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:
 - (1) For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
 - (2) For a public company whose paid-in capital is NT\$10 billion or more, 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 furthermore the transaction counterparty is not a related party, 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 preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
 - (1) Trading of domestic government bonds.
 - (2) Where done by professional investors—securities trading on securities exchanges or OTC markets, or of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or redemption of exchange traded notes, 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.
 - (3) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds 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 underlying asset with the same transaction counterparty within the preceding year.
3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Regulations need not be counted toward the transaction amount.

The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.

In acquiring or disposing of assets, a public company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.

Article 29

Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:

1. Change, termination, or rescission of a contract signed in regard to the original transaction.
2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change to the originally publicly announced and reported information.

Chapter IV Additional Provisions

Article 30

Any relevant personnel of the Company in violation against Procedures for Acquisition and Disposal of Assets will be subject to disciplinary dispositions in

accordance with human resources or relevant provisions.

Article 31

Information required to be publicly announced and reported in accordance with the provisions of the preceding Chapter on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company.

The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing under Article 28, paragraph 1.

Article 31-1

For the calculation of 10 percent of total assets under these Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

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

Article 32

Any unspecified matter or applications in questions in these Procedures shall be handled in accordance with relevant laws and regulations; where there is no such regulation, the matters shall be resolved by discussion of the Company's board of directors.

Article 33

The Procedures for the acquisition or disposal of assets of the Company shall be, after approved by the board of directors, submitted to each supervisor, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor.

Where the position of independent director has been created in accordance with the provisions of the Act, when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. Where an audit committee has been established in accordance with the provisions of

the Act, when the procedures for the acquisition and disposal of assets are adopted or amended, they shall be approved by one-half or more of all audit committee members and submitted to the board of directors for a resolution.

If approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" in paragraph 3 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Article 33-1

With respect to the Company's acquisition or disposal of assets that is subject to the approval of the board of directors under the Company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor.

Where the position of independent director has been created in accordance with the provisions of the Act, when a transaction involving the acquisition or disposal of assets is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

Where an audit committee has been established in accordance with the provisions of the Act, any transaction involving major assets or derivatives shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 33, paragraphs 4 and 5.

Article 34

The general manager's office is accountable for adoption of these Procedures and the amendments or abolition thereof.

Appendix 14

The number of shares held by individual, and all directors as recorded in the shareholder register as of the day of 2022.04.29.

The statutory minimum number of shares to be held by all directors: 14,794,144 Shares.

Title	Name	Appointment date	term of office	Number of shares held at the time of appointment	Shareholding ratio at the time of appointment	Number of shares held in the shareholder register on the date of closing	Shareholding ratio recorded in the shareholder register on the closing date
Chairman	Chiu Li-Chien	2021.7.9	Three years	12,832,033	3.47%	12,832,033	3.47%
Director	Wu Yue-Long	2021.7.9	Three years	2,736,416	0.74%	2,736,416	0.74%
Director	Fuho Investment Co., Ltd. Representative: Chiu Chi-Hsin	2021.7.9	Three years	2,307,979	0.62%	1,357,979	0.37%
Director	Yuhuang Co., Ltd. representative: Chiu Shi-Kai	2021.7.9	Three years	14,033,700	3.79%	14,033,700	3.79%
Independent Director	Wang Cheng-Wei	2021.7.9	Three years	0	0%	0	0%
Independent Director	Fan Wei-Guang	2021.7.9	Three years	0	0%	0	0%
Independent Director	Wang Min-Chi	2021.7.9	Three years	0	0%	0	0%

Remarks:

1. The company has issued a total of 369,853,610 shares as of 2022.04.29.
2. The company shall assigned 3 independent directors. According to Article 2 of the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, the share ownership figures calculated at the rates set forth in the preceding paragraph for all directors shall be decreased by 20 percent.

Appendix 15

Hocheng Corporation

Descriptions of the Cash Capital Reduction and Capital Stock Return in 2022 Regular Shareholders' Meeting

1. Reasons, Necessity and Reasonableness of this Cash Capital Reduction.

Description: Owing to the profit after tax at NTD 1,224,801 thousand and retained earnings at NTD 2,881,696 thousand (incl. undistributed earnings at NTD 1,562,548 thousand) in 2021, the debit asset ratio of the Company has reduced to 27%. The Company has a stable financial structure overall and is in possession of sufficient cash and cash equivalent at NTD 1,382,009 thousand; in the meantime, under the Company's positive prospect to future operations and its current state of development in stability as well as the possession of sufficient equity capital, for purposes of adjusting capital structure and enhancing returns on shareholders' equity, the Company proposes to carry out a capital reduction (w/ intention to returning capital stock to shareholders through cash capital reduction).

2. Source of Funds for this Cash Capital Reduction, and Impacts on the Company's Operation of Finance and Business and Stability of Capital Structure.

Description: This cash capital reduction at NTD 665,736,500, mainly funded by equity capital of the Company. The Company gained decent performance in its profitability in 2021, with an overall debt asset ratio reduced to 27%, meanwhile, the Company's money positions as of December 31, 2021 summed at NTD 1,382,009 thousand, with equity capital sufficient in supporting funds required in this cash capital reduction.

Currently, the Company has proceeded its investments in promoting energy saving and carbon reduction, new product development and new business expansion for the promotion of corporate sustainability. A cash flow analysis for the upcoming year conducted after cash capital reduction and dividend distribution for the current year in accordance with relevant laws and regulations has indicated the projected money position at approx. NTD 503,313 thousand at the end of 2022, which, in terms of business facilitation, remains sufficient to cover the abovementioned operation and investment plans. As a result, this cash capital reduction will not affect the Company's future operation and investment plans.

3. The Company's Plans for Fundraising or Distribution of New Shares as Stock Dividends in the Year of the Shareholders' Meeting and the Upcoming Year and Necessity and Reasonableness Thereof.

Description: In accordance with the Company's business planning, the Company has no plans for fundraising or distribution of new shares as stock dividends in the year of the

shareholders' meeting (2022) and the upcoming year (2023).

4. None of the events set forth underneath applies to the Company, which can be learned from the Company's publicly announced financial information:

- (1) The 2021 Cash Flow Statement presents a net cash outflow.
- (2) Capital market fundraising activities in 2020 and 2021 (issuance of ordinary shares or preferred shares for cash capital increase, or issuance of domestic or oversea convertible bonds, depository receipt, etc.)