

Stock Code: 1717

# **Eternal Materials Co., Ltd.**

## **2022 Annual Meeting of Shareholders Meeting Handbook**

**Convening way Entity Shareholders' Meeting**

**Time: 9:30 a.m., June 23, 2022 (Thursday)**

**Place: No. 22, Changxing Road, Luzhu District, Kaohsiung  
City(Art Center of the Lu-Chu Plant)**

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Eternal Materials Co., Ltd.

Procedure for the 2022 Annual Meeting of Shareholders

Time: 9:30 a.m., June 23, 2022 (Thursday)

Place: No. 22, Changxing Road, Luzhu District, Kaohsiung City (Entity Shareholders' Meeting)(Art Center of the Lu-Chu Plant)

- I. Call the Meeting to Order
- II. Chairperson Remarks
- III. Management Presentation (Company Reports)
- IV. Proposed Resolutions
- V. Discussions
- VI. Election Matters
- VII. Others Matters
- VIII. Questions and Motions
- IX. Adjournment

**Eternal Materials Co., Ltd.**  
**Agenda of the 2022 Annual Meeting of Shareholders**

**I. Call the Meeting to Order**

**II. Chairperson Remarks**

**III. Management Presentation (Company Reports)**

- Report I 2021 Business Report.
- Report II Audit Committee's Review Report on 2021 Financial Statements.
- Report III 2021 Endorsements/Guarantees for Others.
- Report IV Distribution of 2021 Compensation for Directors of the Board and Employees
- Report V Report on Issuance of Corporate Bond.

**IV. Proposed Resolutions**

- Proposal I 2021 Financial Statements.
- Proposal II 2021 Distribution of earnings.

**V. Discussions**

- Proposal I Amendments to the Articles of Incorporation.
- Proposal II Amendments to the Procedures for Acquisition or Disposal of Assets.
- Proposal III The northern biomedical business unit of the company applied for the license of medical device vendor.
- Proposal IV The company conducted the cash capital reduction.
- Proposal V The Company proposed to spin off and transfer the Electronic Equipment, Electronic Materials BU to a newly established subsidiary and further proposed the spin-off plan.
- Proposal VI In order to meet the requirement of the IPO to the newly established subsidiary, Eternal Precision Mechanics Co., Ltd., the Company may release the Eternal Precision's shares at once or in tranches and waive the right to participate in Eternal Precision's cash capital increase plan.

**VI. Election Matters**

- The 19th directors election of the company.

**VII. Others Matters**

- The release of non-competition restrictions for the 19th directors of the company.

**VIII. Questions and Motions**

**IX. Adjournment**

## I. Call the Meeting to Order

## II. Chairperson Remarks

## III. Management Presentation (Company Reports)

Report I. 2021 Business Report.

Explanation: For the Company's 2021 Business Report, refer to #Page 13-15# of the Handbook (Attachment I).

Report II. Audit Committee's Review Report on 2021 Financial Statements

Explanation: For the Audit Committee's Review Report, refer to #Page 16# of the Handbook (Attachment II).

Report III. 2021 Endorsements and Guarantees for Others

Explanation: As of 2021, the amount of Endorsements and Guarantees made by the Company for others is as follows:

Company Name	Currency	Amount	Relationship with the Company
Eternal Holdings Inc.	USD	17.6 million	100% of shares held directly
Eternal Technology Corp.	USD	10 million	100% of shares held indirectly
Eternal Nanyang Investment Co., Ltd.	USD	50 million	90% of shares held indirectly
Nikko-Materials Co., Ltd.	JPY	350 million	100% of shares held directly
Elga Europe S.r.l.	EUR	15 million	72.68% of shares held directly, 22.32% of shares held indirectly
Eternal Materials (Malaysia) Sdn. Bhd.	USD	76 million	90% of shares held indirectly
	MYR	8 million	

Report IV. Distribution of 2021 Compensation for Directors of the Board and Employees.

Explanation:

- I. The compensation for Directors of the Board and employees should be distributed in accordance with the Company Act and the Articles of Incorporation.
- II. NT\$24,890,000 and NT\$177,500,000 have been accrued for the compensation of Directors of the Board and for employees in 2021, respectively.
- III. The compensation for directors should be distributed at 0.65% of profit in 2021, with an amount of NT\$ 25,503,004, which is distributed by all directors in accordance with the Articles of Association and authorized to the Chairman of the Board for execution, NT\$ 613,004 higher than the accrued amount. The difference was recognized as the changes in accounting estimates in the following year's profit or loss.
- IV. The compensation for employees should be distributed at 4.5% of profit in 2021, with an amount of NT\$176,559,255, NT\$940,745 less than the accrued amount. The difference was recognized as the changes in accounting estimates in the following year's profit or loss.

- V. The compensation for Directors of the Board and employees in 2021 should be distributed in cash.
- VI. The distribution of 2021 compensation for Directors of the Board and employees was reviewed by the Remuneration Committee on March 7, 2022, and approved by the Board of Directors on March 11, 2022.

Report V. Report on Issuance of Corporate Bond.

Explanation:

- I. Execution in accordance with the provisions of Article 246 of the Company Act.
- II. In order to repay the bank loan, the Company was approved by the consortium Taipei Exchange on August 19, 2021, with Letter ZGZZ No. 11000096521 to issue NT\$2.5 billion of secured ordinary corporate bonds.
- III. Please refer to page 17-18 of this Manual for the issuance details (Attachment III).

#### **IV. Proposed Resolutions**

Proposal I 2021 Financial Statements. (Proposed by the Board of Directors)

Explanation:

- I. The Company 2021 Financial Statements. The business report, balance sheet, statements of comprehensive income, changes in equity, and cash flow have been prepared and reviewed by the Audit Committee on March 7, 2022, and a written review report has been issued for record, and approved by the Company's Board of Directors on March 11, 2022.
- II. For the above-mentioned Business Report, refer to #Page 13-15 # of the Handbook (Attachment I ). For the standalone financial statements and consolidated financial statements and accountant's audit reports, please refer to #Pages 19-38 # of the Handbook (Attachment IV and V).
- III. Please acknowledge the proposal.

Resolution:

Proposal II 2021 Earnings Distribution (Proposed by the Board of Directors)

Explanation:

- I. Cash dividends at NT\$1.5/share should be distributed to shareholders. For the 2021 Earnings Distribution Table, refer to #Page39# of the Handbook (Attachment VI).
- II. Cash dividends should be rounded to nearest integer. Odd dividends should be transferred to the Employee Welfare Committee. Upon approval of the shareholders' meeting, the Chairman should be authorized to set the date of distribution separately.
- III. If the number of outstanding shares is affected by the issuance of new shares, the repurchase of the Company's shares, transfer of the treasury stock or other circumstances due to handling of cash capital increase in this case hereafter, and the shareholders' dividend ratio changes as a result, it will be proposed to the Shareholders' Meeting to authorize the Chairman of the Board to handle and adjust it.

IV. Please acknowledge the proposal.

Resolution:

**V. Discussions**

Proposal I Amendments to the Articles of Incorporation. (Proposed by the Board of Directors)

Explanation:

- I. Partial articles in the Company's Articles of Incorporation will be amended in accordance with legal regulations and to meet the Company's operation needs.
- II. For the comparison table before and after the amendments, refer to #Page40# of the Handbook (Attachment VII).
- III. Please resolve.

Resolution:

Proposal II Amendments to the Procedures for Acquisition or Disposal of Assets. (Proposed by the Board of Directors)

Explanation:

- I. Partial articles in the "Procedures for Acquisition or Disposal of Assets" were amended in coordination with the Letter No.1110380465 of Financial Supervisory Commission issued on dated January 28, 2022.
- II. For the comparison table before and after the amendments, refer to #Page 41-47# of the Handbook (Attachment VIII).
- III. Please resolve.

Resolution:

Proposal III The northern biomedical business unit of the company applied for the license of medical devices vender. (Proposed by the Board of Directors)

Explanation:

- I. In line with the requirements of the law, the northern biomedical bases need to apply for an additional license of selling medical device. According to the regulations of the Health Bureau of New Taipei Municipal Government, the place of application for registration must be a fixed place of business (industrial and commercial registration is not required), and the application materials must include the Minutes of Shareholders' Meeting and Shareholders' Attendance Records.
- II. The minutes of shareholders' meeting shall state the name, person in charge, address, business items and other relevant information of the business office:  
Name of business office: Hsichih Business Office of Eternal Materials Co., Ltd.  
Person in Charge: Hung, Chih-Liang  
Address: Room 1, Floor 31, No.99, Section 1, Xintai Fifth Road, Hsichih District, New Taipei City  
Warehouses address: Room 10, Floor 31, No.99, Section 1, Xintai Fifth Road, Hsichih District, New Taipei City  
Business Activities: F108031 Wholesale of Medical Devices/F208031 Retail of

Medical Devices

- III. If there are any matters not mentioned in this case, or it is necessary to amend them due to the change of laws and regulations, the instructions of the competent authority or the objective environment, it is proposed to authorize the Chairman of the Board handle them with full authority.
- IV. Please resolve.

Resolution:

Proposal IV The company conduct the cash capital reduction. (Proposed by the Board of Directors)

Explanation:

- I. In order to improve the return rate of shareholders' equity and adjust the capital structure, the Company planned to apply for cash capital reduction to refund shareholders' shares.
- II. The amount of capital to be reduced by cash is NT\$ 620,139,720 only, and 62,013,972 shares will be canceled. According to the Company's current total issued 1,240,279,455 ordinary shares, and based on the aforementioned capital reduction calculation, the estimated capital reduction ratio is 5%, and the capital after capital reduction is NT\$ 11,782,654,830, except that the paid-in capital and the actual capital reduction ratio after capital reduction are calculated by the total issued shares on the base date of capital reduction and share exchange.
- III. According to the total number of issued shares mentioned in the preceding paragraph, every thousand shares will be exchanged for about 950 shares (that is, every thousand shares will be reduced by about 50 shares), and each share will be refunded with about NT\$ 0.5. If the odd lots are less than one share after capital reduction, the shareholders may put together a whole share registration with the Company's stock affairs agency from five days before the date of capital reduction and share exchange to one day before the date of capital transfer suspension. If there is still less than one share after being pieced together or patched together, it will be paid in cash according to the face value (to offset the collection and insurance allocation fee or the non-entity registration fee), and it will be calculated until NT\$ 1 (rounded off). The chairman of the Board is authorized to contact a specific person to subscribe for the shares according to the face value.
- IV. The new shares exchanged for cash capital reduction are non-physical stock, and their rights and obligations are the same as those of the original shares. Once approved by the shareholders' meeting and submitted to the competent authority for effective reporting, the Chairman of the Board is authorized to set the base date of capital reduction and the base date of capital reduction and stock exchange. If the share capital of the Company changes later, which affects the number of outstanding shares, and it is necessary to adjust the capital reduction ratio and the



amount of refund per share, or if this capital reduction case needs to be amended due to the amendment of laws and regulations, the approval of the competent authority, or other objective environmental changes, it is proposed to authorize the Chairman of the Board to handle it with full authority.

V. Please resolve.

Resolution:

Proposal V It is proposed to spin off and transfer the Electric Equipment, Electronic Materials BU to a newly established subsidiary and its spin-off plan. (Proposed by the Board of Directors)

Explanation:

- I. In order to carry out the organizational adjustment, professional division of labor and future operation development of the Company, it is planned to spin off the related business (including assets, liabilities and business) of the Electric Equipment department of Electronic Materials BU (hereinafter referred to as "the electric equipment task force") to a newly established subsidiary-Eternal Precision Mechanics Co., Ltd. (hereinafter referred to as "Eternal Precision Mechanics"), so as to improve the competitiveness and operating performance of the Group and further enhance shareholders' rights and interests. The spin-off base date is tentatively set as October 1, 2022, Republic of China. (hereinafter referred to as "this spin-off application").
- II. The Company intends to spin off and assign the related business value of the electric equipment task force., which is estimated to be NT\$ 550,000,000 (temporarily based on the book value of the Company's financial statements audited and certified by a certified public accountant on December 31, 2021, in which the amount of the investment account using the equity method still needs to deduct the expected dividend of the subsidiary company, but the actual amount is still based on the book value of the spin-off base date), and exchange NT\$ 10.57692 per share for 1 newly issued ordinary share of Eternal Precision Mechanics Co., Ltd. That is an exchange for a total of 52,000 thousand shares.
- III. The Company has made the "Spin-off Plan" (including the Articles of Association of Eternal Precision Mechanics Co., Ltd., the book value of assets and liabilities to be spinned off and the expert opinions on the rationality of the spin-off share conversion ratio) in accordance with the Enterprise Merger and Acquisition Law, the Company Act and other relevant laws and regulations. Please refer to the Handbook of # Page 48-69# (Attachment IX).
- IV. The Company has appointed Wang,Po-Han, a certified public accountant of Hsiang Wei United Accounting Firm, to provide opinions on the rationality of the share conversion ratio of the Company, and the audit committee has reviewed the fairness and rationality of this spin-off application. Please refer to #Page 70-71# of

the Handbook (Attachment X), and report the review results to the Board of Directors of the Company. This spin-off case is an organizational adjustment. After spin-off, the newly established company is a 100% owned subsidiary of the Company, and the original shareholders' rights and interests are not affected. Moreover, Eternal Precision Mechanics Co., Ltd. issued 52,000 thousand new shares at NT\$10.57692 per share, which is about equal to the business value of the transferred related assets and liabilities of NT\$550,000 thousand. Therefore, the share conversion ratio in this spin-off case shall be reasonable.

- V. It is proposed that the shareholders' meeting authorize the Board of Directors to fully handle all matters related to this spin-off case on behalf of the Company.
- VI. When the business scope, amount (including assets, liabilities and business), share conversion ratio (if adjustment necessary), other related matters (including but not limited to time schedule and spin-off base date) or unlisted matters of the Company's proposed spin-off of electric equipment dept., matters related to the administrative guidance of the competent authority or the formulation of relevant laws and regulations, or changes due to objective circumstances, it is proposed to the shareholders' meeting to authorize the Board of Directors to handle them with full authority.
- VII. In case of any of the following circumstances, the shareholders' meeting of the Company may agree to authorize the Board of Directors to terminate this spin-off case before the spin-off base date and handle related matters with full authority, but the Board of Directors shall report the following matters on the next shareholders' meeting afterwards: (1) The total amount of shares that all shareholders of the Company who object to this spin-off and to buy back is more than 2% of the total issued shares of the Company; (2) The Company failed to obtain the consent of the lending bank or most of the joint lending banks for this spin-off according to the loan contract; (3) The Company failed to obtain approval for continued listing in accordance with Article 53-19 of the Operating Rules of Taiwan Stock Exchange Corporation; Or (4) when the economic situation changes and the resolution of the Board of Directors is that it is inappropriate to carry out this spin-off case.
- VIII. The spin-off proposal was reviewed by the Audit Committee on March 7, 2022 and approved by the Board of Directors on March 11, 2022.
- IX. Please resolve.

Resolution:

Proposal VI In order to assort to the IPO plan of the company's newly established subsidiary, Eternal Precision Mechanics Co., Ltd., the company handled the stock release of the company's shares in trenches and abandoned in participating the cash capital increase of Eternal Precision Mechanics Co., Ltd. (Proposed by the Board of Directors)

Explanation:

I. In order to cooperate with the operation and development of its subsidiary, Eternal Precision Mechanics Co., Ltd. (hereinafter referred to as "Eternal Precision Mechanics"), attract and retain the required professionals, and meet the requirements of the laws and regulations on applying for stock listing, before it applies for stock listing, the Company's shareholding needs to be reduced below 70%, and when it is listed, the Company and all its subsidiaries, as well as the directors, supervisors and representatives of the former company, as well as the shareholders holding more than 10% of the total shares of the former company, and their related parties' total shares of Eternal Precision Mechanics shall not exceed 70% of the issued shares at the time of listing. Before Eternal Precision Mechanics applies for listing, it is planned to disperse the shares of the planned future application for listing, while maintaining the Company's direct or indirect shareholding of Eternal Precision Mechanics not less than 50%. The Company may release the shares of Eternal Precision Mechanics at one time or in tranches and give up the subscription of all or part of the shares in the following ways:

1. Give up subscription for cash increase of Eternal Precision Mechanics.

(1) The issue price of Eternal Precision Mechanics's cash capital increase shall not be lower than the net value per share of Eternal Precision Mechanics's latest financial statements audited, certified or reviewed by certified public accountants before the Board of Directors of Eternal Precision Mechanics's cash capital increase resolution. However, if its stock has been traded on TPEx, it shall be agreed at the prevailing market price in addition to the above net value.

Considering the purpose of Eternal Precision Mechanics' operation development, attracting and retaining professionals to improve its operation performance, except that 10%~15% of the cash-increased shares are reserved for the employees of Eternal Precision Mechanics and the controlled or affiliated companies that meet certain conditions, the Company may give up the subscription of the cash-increased shares of Eternal Precision Mechanics, and urge it to make a subscription offer to the qualified shareholders of the Company by contacting specific person; Among them, the qualified shareholders of the Company refer to the shareholders recorded in the shareholders' name book of the Company on the latest book closure date when they can subscribe for the cash capital increase shares of Eternal Precision Mechanics, and the number of shares subscribed shall be calculated in proportion to their shareholdings; If the shareholders of the Company give up the subscription offer, Eternal Precision Mechanics would make a subscription offer within the number of shares that the shareholders of

the Company give up, based on the principle of strategic investors or financial investors who are beneficial to the employees of the Company and related enterprises and the operation and development of Eternal Precision Mechanics Co., Ltd.

The Board of Directors of Eternal Precision Mechanics shall, according to the market conditions and the Company's operating conditions, formulate the calculation of the cash capital increase and issuance price, the agreement of a specific person and the operation schedule, etc., and appoint independent experts to issue opinions on the rationality of the price.

- (2) In accordance with Article 28-1 of the Securities and Exchange Law and relevant laws and regulations, Eternal Precision Mechanics shall, in addition to reserving 10-15% of the cash capital increase shares to be subscribed by employees of Eternal Precision Mechanics and controlled or affiliated companies that meet certain conditions, entrust all the remaining shares to securities underwriters to make public sales before listing.

## 2. Disposal of the shares of Eternal Precision Mechanics

The price at which the Company disposes of the shares of Eternal Precision Mechanics shall not be lower than the net value of each share in the latest financial statement of Eternal Precision Mechanics Co., Ltd. audited, certified or reviewed by an accountant before the resolution of the Board of Directors of the Company disposes of the shares of Eternal Precision Mechanics. However, if the shares have been traded on TPEX, it shall be agreed at the prevailing market price in addition to the above net value.

The counterparty of the Company's disposal of shares of Eternal Precision Mechanics shall give priority to the qualified shareholders of the Company; Among them, the qualified shareholders of the Company refer to the shareholders recorded in the shareholders' name book on the last book closure date when the shares of Eternal Precision Mechanics were disposed of, and the number of subscribed shares was calculated in proportion to the number of shareholdings; If the shareholders of the Company are unwilling to subscribe for the shares of Eternal Precision Mechanics, the Company shall, within the number of shares renounced by the shareholders of the Company, make a subscription offer on the principle of strategic investors or financial investors who are beneficial to the employees of the Company and related enterprises and to the operation and development of Eternal Precision Mechanics.

The Board of Directors of the Company shall, in accordance with the

market conditions and the operating conditions of Eternal Precision Mechanics, set the disposal price, the number of shares, the agreement of specific persons and the operation schedule, and appoint independent experts to issue opinions on the rationality of the price, which shall be handled in accordance with the regulations of the Company's the acquisition or disposal of assets at that time.

II. In the future, when Eternal Precision Mechanics applies for listing on Emerging Stock Market, TWSE or TPEX, the Company shall allocate shares for the securities underwriters to subscribe and handle over-allotment procedures in accordance with relevant laws and regulations, and the number and price of allocated shares shall be agreed with the securities underwriters according to the current market conditions and the operating conditions of Eternal Precision Mechanics.

III. The proposal aformentioned was reviewed by the Audit Committee on March 7, 2022 and approved by the Board of Directors on March 11, 2022.

IV. Please resolve.

Resolution:

## **VI. Election Matters**

Proposal I The 19th directors election of the company. (Proposed by the Board of Directors)

Explanation:

- I. The term of office of the 18th director expires on June 25th, 2022, and all directors shall be re-elected according to law.
- II. 12 directors (including four independent directors) will be elected at the 2022 shareholders' general meeting in accordance with the Articles of Association, with a term of office of three years from June 23, 2022 to June 22, 2025.
- III. According to the law and the Articles of Association, the Company will set up an Audit Committee to replace the supervisors, and all independent directors are members of the Audit Committee, whose term of office is the same as that of the 19th Board of Directors.
- IV. This year's election of directors adopts the nomination system, and the shareholders' meeting will vote the candidates. Please refer to #Page 72-74# (Attachment XI) of the Handbook for the List of Candidates.
- V. Please vote.

Election result:

## **VII. Other Matters**

Proposal I To release non-compete restrictions on the 19th directors of the company. (Proposed by the Board of Directors)

Explanation:

- I. For the 19th director's non-competition restriction according to the first paragraph

of Article 209 of the Company Act, according to the second and third provisions, it is proposed on the shareholders' general meeting in 2022 to lift the non-competition restriction that the 19th elected director served as the reinvestment company of the Company belongs to the business scope of the Company. The main contents of the request for lifting the non-competition restriction include:

Directors Candidates	Companies Concurrently	Post Held
Kwang Yang Motor Co., Ltd. Representative: Ko, Chun-Ping	New E Materials Co., Ltd.	Directors

II. Please resolve.

Resolution:

**VIII. Questions and Motions**

**IX. Adjournment**

## Attachment I

### Business Report

The year of 2021 faces COVID - 19, which continues to bring supply and demand imbalance, rising prices in freight and raw materials, the main production areas in mainland China double control of energy consumption and so on many tests. Eternal Materials Co., Ltd. benefited from the client demand, product mix optimization, the new products transferred contribution, revenue and profit all saw the new high, three major business units grow revenues from the previous year.

At the start of the New Year, inflation has triggered expectations of interest rate hikes and tighter monetary policy by central banks around the world, compounded by tensions in the conflict between Europe and Russia, adding uncertainty to the outlook for economic growth. The management team will review the situation and strive to maintain the existing operation stability; With the completion of new product development and new capacity construction, the operating performance will be further improved.

In the face of global climate change and sustainable development of enterprises, Eternal Materials Co., Ltd. will continue to implement ESG promotion, set environmental protection, energy saving and carbon reduction targets, fulfill social responsibilities, improve corporate governance and strengthen risk management, and contribute to the earth's environment and human well-being.

The operating results in 2021 are reported as follows:

#### I. Business Performance in 2021

##### (I) Implementation of the business plan

The consolidated revenue of the company in 2021 is NT\$ 50.5 billion, an increase of 32% compared with that in 2020. In terms of operating performance, net profit before tax is NT\$4.432 billion, 41% higher than that in year 2020. Net profit after tax attributable to the owner of the parent company is NT\$3.549 billion, and earnings per share is NT\$2.86.

##### (II) Financial Position and profitability Analysis

###### 1. Financial revenues and expenditures:

Unit: NT\$

Item	Amount in 110
Operating revenue	50,471,397
Operating gross profit	10,694,148
Operating profit	4,095,041
Non-operating income and expenses	336,818
Net profit before tax	4,431,859
Net Income	3,485,710

Other comprehensive income, net	(289,282)
Total comprehensive income	3,196,428
Net profit attributable to owners of the parent company	3,549,268
Net profit attributable to non-controlling interests	(63,558)
Total comprehensive income attributable to owners of the parent company	3,268,236
Total comprehensive income attributable to non-controlling interests	(71,808)
Earnings per share (NT\$)	2.86

Note: As the Company did not disclose financial forecasts for 2021, the relevant information for implementation of the budget was unavailable.

2. Profitability analysis: Unit: %

Item	Percentage
Return on assets (ROA)	6
Return on equity (ROE)	15
Ratio of net profit before tax to paid-in capital	36
Profit margin	7
Earnings per share (NT\$)	2.86

(III) Research and development

1. Research and development results in 2021:

- (1) New matte stain resistant material
- (2) Oil and sewer pipe resins for industrial and domestic use
- (3) Dry film for nickel leaching process
- (4) Water-soluble alkyd
- (5) Development of V-0 halogen-free CEM-1 composite substrate with high leakage resistance
- (6) Application of UV-curable PU-UVPSA in flexible substrates
- (7) Rapid detection reagent for COVID-19 antigen
- (8) Uv-photocured resins are used in the trenchless pipeline repair industry
- (9) Titanium polycarbonate polyol

2. Future research and developments:

- (1) New technologies take root in : Develop the following technologies step by step with



5G and semiconductor

- A. High frequency material blowing film technology
- B. High temperature sintering and surface treatment technology of inorganic powder
- C. Mixing processing technology
- D. Material purification technology

(2) Layout of new material research and development: With the development of 5G, semiconductor, electric vehicles and green materials, the following materials have gradually developed:

- A. Electronic materials with high frequency, high speed and high thermal conductivity
- B. Semiconductor packaging materials
- C. High performance thermoplastic composite
- D. Lithium battery materials
- E. Degradable plastic materials
- F. Biomedical testing materials

(IV) Management Objectives and Production and Sales Strategies

1. New product research and development direction will focus on 5G, electric vehicles, semiconductors, green energy, energy storage and other potential industries, using local research and development energy to quickly respond to customer demand, accelerate the speed of products to market.
2. Expand Asean, India and other emerging markets, regional sales by taking advantage of the Malaysian factory's local capacity, tariffs and transportation costs; At the same time, strategic cooperation with international large factories in Asia, strengthen business and product capabilities.

In the face of global competition and market changes, Eternal Material Co., Ltd. will expand the market and layout key materials with clear strategic direction, internal resource integration and operation management ability, and obtain and maintain long-term competitive advantages.

Chairman	Kao, Kuo-Lun	General Manager	Mao, Hui-Kuan	Principal Accounting Officer	Su, Hui-Fang
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## **Attachment II**

Eternal Materials Co., Ltd.

### **Audit Committee's Review Report**

Hereby approved.

The Company's 2021 business report, earnings distribution, financial statements and consolidated financial statements submitted by the Board of Directors have been reviewed by the Audit Committee, and no irregularities have been found. The review report is hereby presented in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To  
2022 Annual Meeting of Shareholders

Eternal Materials Co., Ltd.

Convener of the Audit Committee:

March 11, 2022

### Attachment III

#### Measures for issuance of domestic secured ordinary corporate bonds in 2021

In order to repay the loan, the Company completed the issuance of 2021 first secured ordinary corporate bonds of NT \$2.5 billion on August 27, 2021. The terms of issuance of corporate bonds are reported as follows:

- I. Bond Name: Eternal Materials Co., Ltd.-- The first issue of 2021 secured ordinary corporate bonds (hereinafter referred to as the "Company bonds").
- II. Total Amount: The total amount of bonds issued by the company is NT \$2.5 billion.
- III. Nominal Amount: The face value of the bonds is NT \$10 million
- IV. Par Value: Issued in full denomination.
- V. Issue period: The issuance period of the corporate bonds is five years. From August 27, 2021 to August 27, 2026
- VI. Coupon Rate: Issued at a fixed rate of 0.58% per annum.
- VII. Calculation and payment method: From the date of issue, the interest will be calculated once a year based on the coupon rate, and interest will be paid once a year. The payment of the principle and interest of the Company's Bond's shall be rounded to the nearest whole New Taiwan Dollar amount. If the repayment date of the Company's bonds is a non-business day of the bank where the payment is made, the principal and interest will be paid on the next business day without additional interest.
- VIII. Repayment method: Repayment once due.
- IX. Bond form: The Company's bonds are issued in non-physical form and should be registered with Taiwan Central Depository and Clearing House Co., Ltd. (hereinafter referred to as "the collective insurance company").
- X. Trustee: For the corporate bonds, CTBC Bank Co., Ltd. is the trustee of the creditors, and on behalf of the creditors, it exercises the powers and responsibilities of inspecting and supervising the performance of the corporate bond issuance by the company. All creditors who hold the company's bonds, whether subscribed at the time of issuance or purchased later, agree to recognize the trustee's rights and obligations as specified in the trust contract and authorize full agency over trust matters. This authorization is not to be granted. If it is revoked in the middle, the creditor may visit the company or the trustee's business office at any time during the prescribed business hours.
- XI. Warranty institution : Taiwan Bank Co., Ltd., E.SUN Commercial Bank Co., Ltd., Changhwa

Commercial Bank Co., Ltd., Hua Nan Commercial Bank Co., Ltd., Cooperative Bank Commercial Bank Co., Ltd., Mega Commercial Bank Co., Ltd., Sinopac Commercial Bank Co., Ltd., Shanghai Commercial Savings Bank Co., Ltd., and Yuanta Commercial Bank Co., Ltd. serve as joint guarantee banks, providing guarantees in accordance with the signed joint appointment guarantee

XII. Debt Service Agency: The Bank of Taiwan Co., Ltd. Qianzhen Branch is in charge of repaying the principal and interest on corporate bonds. When interest is paid, the Bank of Taiwan Co., Ltd. Qianzhen Branch will withhold and pay income tax on the company's behalf in accordance with income tax law. The transfer of principal and interest shall be handled by the register of securities owners.

XIII. Underwriting method: There are entrusted underwriters for public underwriting, and E.SUN Commercial Bank Co., Ltd. is the lead underwriter.

XIV. Method to inform: Unless otherwise stipulated by laws and regulations, the matters that should be notified to the creditors of the company's bonds are all available on the Public Information Observatory ([https:// mops.twse.com.tw](https://mops.twse.com.tw)) to announce.

XV. Sales target: The Republic of China Securities OTC Trading Center's "Regulations for the Management of International Bonds Denominated in Foreign Currency" limit corporate bond sales to professional investors.

XVI. Other Matters:

- (I) The Bonds may be freely traded, transferred, pledged and guaranteed.
- (II) If the principal and interest of this bond have not been redeemed from the date of payment in accordance with the Civil Law, the principal and interest will not be redeemed for more than five years for more than 15 years.
- (III) To meet the requirement of circulating the company's bonds in the secondary market, the company must apply to the Counter Trading Center of Taipei Exchange for the Company's bonds for over-the-counter trading.
- (IV) Matters not covered by these issuance regulations are governed by the competent authority's relevant laws and regulations.

## Attachment IV

### INDEPENDENT AUDITORS' REPORT

Eternal Materials Co., Ltd.

#### **Opinion**

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

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter paragraph) the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Company as of December 31, 2021 and 2020, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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

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

## The Occurrence of Sales Revenue from the High Performance Materials Department

### 1. Risk Description

The sales revenue from the high performance materials department of Eternal Materials Co., Ltd increased compared to last year due to the economic upturn and the percentage increase in revenue continues grow annually. Therefore, we identified the occurrence of revenue from the high performance materials department as a key audit matter.

### 2. The audit procedures we performed in response to the above key audit matters are as the follows:

- a. We obtained an understanding of design and checked that the internal controls over the customer master file, ordering, accounting and receiving process on revenue recognition of the high performance materials department had been implemented.
- b. We obtained the major customer master file data and verified the information of the registered responsible person, business category, and business address etc. using publicly available information, and checked for abnormalities in the customers' credit limit, transaction terms, sales revenue and company size.
- c. We selected appropriate samples from the sales revenue receipts of the high performance materials department, examined the shipping documents of proof of payment and verified that the recipient of the payment was the same as the transaction counterparty.
- d. We checked for major sales returns after the reporting date and verified that the sales transactions occurred before the balance sheet date.

### **Other Matter**

The financial statements of some subsidiaries and associates were audited by other auditors. Therefore, our opinion on the amounts included in the accompanying financial statements was based on the financial statements audited by other auditors. Such investments accounted for using the equity method amounted to NT\$2,484,230 thousand and NT\$813,541 thousand, representing 5% and 2% of the Company's total assets as of December 31, 2021 and 2020, respectively; and the share of the profit of the subsidiaries and associates amounted to NT\$955,437 thousand and NT\$222,293 thousand, representing 29% and 7% of the Company's total comprehensive income for the years ended December 31, 2021 and 2020, respectively.

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

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

In preparing the standalone 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 Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone financial statements.

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

1. Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the standalone 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 standalone financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of

doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chao-Chun Wang and Lee-Yuan Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 11, 2022

Notice to Readers

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

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



## Eternal Materials Co., Ltd.

### STANDALONE BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 204,815	-	\$ 329,643	1
Notes receivable, net (Notes 4 and 7)	378,823	1	286,075	1
Accounts receivable, net (Notes 4, 5 and 7)	2,923,374	6	2,180,150	5
Accounts receivable from related parties, net (Notes 4, 5, 7 and 25)	910,494	2	953,892	2
Other receivables (Notes 7 and 25)	640,375	1	620,114	1
Inventories (Notes 4, 5 and 8)	4,094,531	9	2,629,686	6
Other current assets - others (Note 20)	<u>238,180</u>	<u>1</u>	<u>147,044</u>	<u>-</u>
Total current assets	<u>9,390,592</u>	<u>20</u>	<u>7,146,604</u>	<u>16</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 9)	861,780	2	864,522	2
Investments accounted for using the equity method (Notes 4 and 10)	30,630,571	64	29,370,153	66
Property, plant and equipment (Notes 4 and 11)	6,300,703	13	6,145,448	14
Right-of-use assets (Notes 4 and 12)	108,588	-	115,936	-
Investment properties (Notes 4 and 13)	51,358	-	17,057	-
Intangible assets (Notes 4 and 14)	219,426	-	229,525	1
Deferred tax assets (Notes 4, 5 and 20)	237,989	1	232,729	1
Other non-current assets - others (Note 26)	<u>35,883</u>	<u>-</u>	<u>35,783</u>	<u>-</u>
Total non-current assets	<u>38,446,298</u>	<u>80</u>	<u>37,011,153</u>	<u>84</u>
<b>TOTAL</b>	<b>\$ 47,836,890</b>	<b>100</b>	<b>\$ 44,157,757</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 4, 15 and 25)	\$ 2,179,370	5	\$ 1,740,320	4
Notes payable	29	-	22	-
Accounts payable (Note 25)	1,584,989	3	1,387,404	3
Other payables - others (Note 16)	936,960	2	857,784	2
Current tax liabilities (Note 20)	243,453	-	136,380	-
Lease liabilities - current (Notes 4 and 12)	29,751	-	28,518	-
Current portion of long-term borrowings (Notes 4 and 15)	3,844,000	8	1,809,384	4
Other current liabilities - others (Note 18)	<u>54,983</u>	<u>-</u>	<u>30,082</u>	<u>-</u>
Total current liabilities	<u>8,873,535</u>	<u>18</u>	<u>5,989,894</u>	<u>13</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Notes 4 and 15)	5,491,683	12	2,995,374	7
Long-term borrowings (Notes 4 and 15)	5,812,084	12	8,607,432	20
Deferred tax liabilities (Notes 4, 5 and 20)	2,551,139	5	2,642,876	6
Lease liabilities - non-current (Notes 4 and 12)	79,774	-	88,693	-
Other non-current liabilities (Notes 5 and 16)	<u>789,567</u>	<u>2</u>	<u>998,991</u>	<u>2</u>
Total non-current liabilities	<u>14,724,247</u>	<u>31</u>	<u>15,333,366</u>	<u>35</u>
Total liabilities	<u>23,597,782</u>	<u>49</u>	<u>21,323,260</u>	<u>48</u>
<b>EQUITY (Note 17)</b>				
Ordinary shares	<u>12,402,795</u>	<u>26</u>	<u>12,402,795</u>	<u>28</u>
Capital surplus	<u>368,946</u>	<u>1</u>	<u>368,946</u>	<u>1</u>
Retained earnings				
Legal reserve	4,437,120	9	4,188,871	10
Special reserve	781,875	2	1,442,690	3
Unappropriated earnings	<u>7,430,191</u>	<u>15</u>	<u>5,213,715</u>	<u>12</u>
Total retained earnings	<u>12,649,186</u>	<u>26</u>	<u>10,845,276</u>	<u>25</u>
Other equity	<u>(1,181,819)</u>	<u>(2)</u>	<u>(782,520)</u>	<u>(2)</u>
Total equity	<u>24,239,108</u>	<u>51</u>	<u>22,834,497</u>	<u>52</u>
<b>TOTAL</b>	<b>\$ 47,836,890</b>	<b>100</b>	<b>\$ 44,157,757</b>	<b>100</b>

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

(With Deloitte & Touche auditors' report dated March 11, 2022)

## Eternal Materials Co., Ltd.

### STANDALONE STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 18 and 25)	\$ 16,562,728	100	\$ 13,011,068	100
OPERATING COSTS (Notes 8, 16, 19 and 25)	<u>13,636,721</u>	<u>82</u>	<u>10,416,153</u>	<u>80</u>
GROSS PROFIT	<u>2,926,007</u>	<u>18</u>	<u>2,594,915</u>	<u>20</u>
OPERATING EXPENSES (Notes 7, 16 and 19)				
Selling and marketing expenses	1,162,837	7	747,307	6
General and administrative expenses	802,248	5	814,088	6
Research and development expenses	1,153,539	7	1,048,456	8
Expected credit loss	<u>5,006</u>	<u>-</u>	<u>51,176</u>	<u>-</u>
Total operating expenses	<u>3,123,630</u>	<u>19</u>	<u>2,661,027</u>	<u>20</u>
LOSS FROM OPERATIONS	<u>(197,623)</u>	<u>(1)</u>	<u>(66,112)</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	154	-	254	-
Other income (Notes 19 and 25)	638,196	3	506,182	4
Other gains and losses (Notes 10 and 19)	(22,538)	-	(226,758)	(2)
Loss on disposal of financial assets at amortized cost (Note 10)	-	-	(12,007)	-
Finance costs (Notes 4, 19 and 25)	(169,460)	(1)	(204,037)	(2)
Share of profit of subsidiaries, associates and joint ventures (Note 10)	<u>3,472,420</u>	<u>21</u>	<u>2,602,562</u>	<u>20</u>
Total non-operating income and expenses	<u>3,918,772</u>	<u>23</u>	<u>2,666,196</u>	<u>20</u>
PROFIT BEFORE INCOME TAX	3,721,149	22	2,600,084	20
INCOME TAX EXPENSE (Notes 4 and 20)	<u>(171,881)</u>	<u>(1)</u>	<u>(56,588)</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>3,549,268</u>	<u>21</u>	<u>2,543,496</u>	<u>20</u>

(Continued)

## Eternal Materials Co., Ltd.

### STANDALONE STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
(Notes 16, 17 and 20)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	\$ 57,254	-	\$ (43,380)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	81,955	1	305,925	2
Remeasurement of defined benefit plans of subsidiaries, associates and joint ventures accounted for using the equity method	(3,493)	-	(480)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	23,106	-	(6,468)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	21,168	-	(23,729)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of the financial statements of foreign operations	(446,456)	(2)	354,762	2
Share of other comprehensive income (loss) of associates and joint ventures	<u>(14,566)</u>	<u>-</u>	<u>9,320</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(281,032)</u>	<u>(1)</u>	<u>595,950</u>	<u>4</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 3,268,236</u>	<u>20</u>	<u>\$ 3,139,446</u>	<u>24</u>
<b>EARNINGS PER SHARE (Note 21)</b>				
Basic	\$ 2.86		\$ 2.05	
Diluted	2.85		2.04	

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

(Concluded)

(With Deloitte & Touche auditors' report dated March 11, 2022)

## Eternal Materials Co., Ltd.

### STANDALONE STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Ordinary Shares	Capital Surplus	Retained Earnings			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	
BALANCE AT JANUARY 1, 2021	\$ 12,402,795	\$ 368,946	\$ 4,188,871	\$ 1,442,690	\$ 5,213,715	\$ (1,320,826)	\$ 538,306	\$ (782,520)	\$ 22,834,497
Appropriation of the 2020 earnings (Note 17)									
Legal reserve appropriated	-	-	248,249	-	(248,249)	-	-	-	-
Reversal of special reserve	-	-	-	(660,170)	660,170	-	-	-	-
Cash dividends - NT\$1.5 per share	-	-	-	-	(1,860,419)	-	-	-	(1,860,419)
	-	-	248,249	(660,170)	(1,448,498)	-	-	-	(1,860,419)
Net profit for the year ended December 31, 2021	-	-	-	-	3,549,268	-	-	-	3,549,268
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	42,638	(461,022)	137,352	(323,670)	(281,032)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	3,591,906	(461,022)	137,352	(323,670)	3,268,236
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 17 and 20)	-	-	-	-	72,423	-	(75,629)	(75,629)	(3,206)
Others (Note 17)	-	-	-	(645)	645	-	-	-	-
BALANCE AT DECEMBER 31, 2021	\$ 12,402,795	\$ 368,946	\$ 4,437,120	\$ 781,875	\$ 7,430,191	\$ (1,781,848)	\$ 600,029	\$ (1,181,819)	\$ 24,239,108
BALANCE AT JANUARY 1, 2020	\$ 12,402,795	\$ 356,046	\$ 3,942,840	\$ 510,893	\$ 5,645,452	\$ (1,684,908)	\$ 242,219	\$ (1,442,689)	\$ 21,415,337
Appropriation of the 2019 earnings (Note 17)									
Legal reserve appropriated	-	-	246,031	-	(246,031)	-	-	-	-
Special reserve appropriated	-	-	-	931,797	(931,797)	-	-	-	-
Cash dividends - NT\$1.4 per share	-	-	-	-	(1,736,391)	-	-	-	(1,736,391)
	-	-	246,031	931,797	(2,914,219)	-	-	-	(1,736,391)
Net profit for the year ended December 31, 2020	-	-	-	-	2,543,496	-	-	-	2,543,496
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(35,088)	364,082	266,956	631,038	595,950
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	2,508,408	364,082	266,956	631,038	3,139,446
Difference between the consideration received or paid and the carrying amount of the subsidiaries during actual disposal or acquisition	-	12,842	-	-	-	-	-	-	12,842
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 17 and 20)	-	-	-	-	(25,926)	-	29,131	29,131	3,205
Others	-	58	-	-	-	-	-	-	58
BALANCE AT DECEMBER 31, 2020	\$ 12,402,795	\$ 368,946	\$ 4,188,871	\$ 1,442,690	\$ 5,213,715	\$ (1,320,826)	\$ 538,306	\$ (782,520)	\$ 22,834,497

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

(With Deloitte & Touche auditors' report dated March 11, 2022)

# Eternal Materials Co., Ltd.

## STANDALONE STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 3,721,149	\$ 2,600,084
Adjustments for:		
Depreciation expense	698,916	668,396
Amortization expense	17,888	15,217
Expected credit loss	5,006	51,176
Finance costs	169,460	204,037
Loss on disposal of financial assets at amortized cost	-	12,007
Interest income	(154)	(254)
Dividend income	(48,125)	(34,252)
Share of the profit of subsidiaries, associates and joint ventures	(3,472,420)	(2,602,562)
Loss (gain) on disposal of property, plant and equipment	(72,412)	4,342
Impairment loss recognized on financial assets	-	155,802
Impairment loss recognized on non-financial assets	89,843	28,909
Others	(385)	17
Changes in operating assets and liabilities		
Notes receivable	(92,748)	(5,662)
Accounts receivable	(733,632)	197,988
Accounts receivable from related parties	43,455	(108,195)
Other receivables	(91,241)	(9,906)
Inventories	(1,554,688)	(164,021)
Other current assets	(37,921)	3,150
Notes payable	7	(1,509)
Accounts payable	197,585	348,517
Other payables	113,824	60,398
Other current liabilities	24,901	2,264
Other non-current liabilities	(149,670)	(30,962)
Cash generated from (used in) operations	(1,171,362)	1,394,981
Interest received	154	254
Dividends received	1,874,998	1,193,112
Interest paid	(175,075)	(210,933)
Income taxes paid	(197,013)	(136,635)
Net cash generated from operating activities	<u>331,702</u>	<u>2,240,779</u>

(Continued)

## Eternal Materials Co., Ltd.

### STANDALONE STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of financial assets at fair value through other comprehensive income	\$ 84,697	\$ 18,706
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	1,517
Acquisition of investments accounted for using the equity method	-	(540,493)
Proceeds from disposal of investments accounted for using the equity method	-	537,857
Proceeds from capital reduction of investments accounted for using the equity method	-	883,906
Payment for property, plant and equipment	(867,215)	(628,035)
Proceeds from disposal of property, plant and equipment	46,641	48,664
Payment for intangible assets	(7,789)	(156,737)
Increase in other financial assets	-	(15,000)
Increase in other non-current assets	(100)	(3,386)
Net cash generated from (used in) investing activities	<u>(743,766)</u>	<u>146,999</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	439,050	(298,320)
Proceeds from issuance of bonds	2,500,000	-
Proceeds from long-term borrowings	18,848,705	12,430,126
Repayments of long-term borrowings	(19,608,089)	(12,804,000)
Decrease in guarantee deposits received	(2,500)	(2,542)
Repayment of the principal portion of lease liabilities	(29,511)	(13,327)
Dividends paid	(1,860,419)	(1,736,391)
Others	-	58
Net cash generated from (used in) financing activities	<u>287,236</u>	<u>(2,424,396)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(124,828)	(36,618)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>329,643</u>	<u>366,261</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 204,815</u>	<u>\$ 329,643</u>

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

(Concluded)

(With Deloitte & Touche auditors' report dated March 11, 2022)

## **INDEPENDENT AUDITORS' REPORT**

Eternal Materials Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of Eternal Materials Co., Ltd. (the “Company”) and its subsidiaries, 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 (collectively referred to as the “consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter paragraph) the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2021 and 2020, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

The key audit matter identified in the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2021 is described as follows:

## The Occurrence of Sales Revenue from the High Performance Materials Department

### 1. Description

The sales revenue from the high performance materials department of Eternal Materials Co., Ltd and its subsidiaries increased compared to last year due to the economic upturn and the percentage increase in revenue continues grow annually. Therefore, we identified the occurrence of revenue from the high performance materials department as a key audit matter.

### 2. The audit procedures we performed in response to the above key audit matters are as follows:

- a. We obtained an understanding of the design and checked that the internal controls over the customer master file, ordering, accounting and receiving process on revenue recognition of the high performance materials department had been implemented.
- b. We obtained the major customer master file data and verified the information of the registered responsible person, business category, and business address, etc. using publicly available information, and checked for abnormalities in the customers' credit limit, transaction terms, sales revenue and company size.
- c. We selected appropriate samples from the sales revenue receipts of the high performance materials department, examined the shipping documents of proof of payment, and we verified that the recipient of the payment was the same as the transaction counterparty.
- d. We checked for major sales returns after the reporting date and verified that the sales transactions occurred before the balance sheet date.

### **Other Matter**

The financial statements of some subsidiaries and associates were audited by other auditors. Therefore, our opinion on the amounts included in the accompanying financial statements was based on the financial statements audited by other auditors. Total assets from the subsidiary amounted to NT\$2,586,727 thousand, representing 4% of the Company and its subsidiaries' total assets as of December 31, 2021; and the operating revenue amounted to NT\$2,789,997 thousand, representing 6% of the Company and its subsidiaries' total operating revenue for the year ended December 31, 2021. Such investments accounted for using the equity method amounted to NT\$849,578 thousand and NT\$1,213,380 thousand, representing 1% and 2% of the Company and its subsidiaries' total assets as of December 31, 2021 and 2020, respectively; and the share of the profit of these associates amounted to NT\$233,368 thousand and NT\$268,060 thousand, representing 7% and 9% of the Company and its subsidiaries' total comprehensive income for the years ended December 31, 2021 and 2020, respectively.

We have also audited the standalone financial statements of the Company as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion with other matter paragraph.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the FSC 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 Company and its subsidiaries' 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 and its subsidiaries 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 and its subsidiaries' financial reporting process.

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

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

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Chao-Chun Wang and Lee-Yuan Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 11, 2022

*Notice to Readers*

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

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

## Eternal Materials Co., Ltd. and Subsidiaries

### CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,250,469	7	\$ 6,108,294	11
Notes receivable, net (Notes 4, 8 and 33)	6,717,389	11	5,138,238	9
Notes receivable from related parties, net (Notes 4, 8 and 32)	83,349	-	44,739	-
Accounts receivable, net (Notes 4, 5, and 8)	13,032,813	22	12,121,573	22
Accounts receivable from related parties, net (Notes 4, 5, 8 and 32)	237,921	-	218,637	-
Other receivables (Notes 8 and 32)	671,227	1	791,068	2
Inventories (Notes 4, 5 and 9)	10,678,213	18	7,492,620	13
Non-current assets held for sale (Notes 4 and 10)	313,112	1	-	-
Other financial assets - current (Notes 4 and 11)	193,382	-	61,860	-
Other current assets - others (Note 25)	863,363	1	644,919	1
Total current assets	37,041,238	61	32,621,948	58
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	14,968	-	21,301	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 12)	1,033,343	2	1,016,306	2
Investments accounted for using the equity method (Notes 4 and 14)	2,457,766	4	2,306,731	4
Property, plant and equipment (Notes 4, 15, 32 and 33)	16,369,000	27	16,623,050	30
Right-of-use assets (Notes 4 and 16)	1,138,746	2	1,195,535	2
Investment properties (Notes 4 and 17)	1,317,178	2	1,356,821	2
Intangible assets (Notes 4 and 18)	261,442	-	282,235	-
Deferred tax assets (Notes 4, 5 and 25)	368,573	1	397,389	1
Other non-current assets - others (Notes 19 and 33)	533,435	1	367,309	1
Total non-current assets	23,494,451	39	23,566,677	42
<b>TOTAL</b>	<b>\$ 60,535,689</b>	<b>100</b>	<b>\$ 56,188,625</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 4, 20 and 33)	\$ 4,588,002	8	\$ 4,403,929	8
Notes payable	863,529	1	534,320	1
Accounts payable (Note 32)	6,771,109	11	5,598,389	10
Other payables - others (Note 21)	2,171,091	4	2,053,754	4
Current tax liabilities (Note 25)	489,253	1	442,184	1
Liabilities directly associated with non-current assets held for sale (Notes 4 and 10)	1,506	-	-	-
Lease liabilities - current (Notes 4 and 16)	86,404	-	81,002	-
Current portion of long-term borrowings (Notes 4, 20 and 33)	4,325,565	7	2,211,266	4
Other current liabilities - others (Note 23)	226,924	-	188,277	-
Total current liabilities	19,523,383	32	15,513,121	28
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Notes 4 and 20)	5,491,683	9	2,995,374	5
Long-term borrowings (Notes 4, 20 and 33)	7,013,985	12	10,190,026	18
Deferred tax liabilities (Notes 4, 5 and 25)	2,551,139	4	2,641,898	5
Lease liabilities - non-current (Notes 4 and 16)	189,327	-	262,898	1
Other non-current liabilities (Notes 5, 14 and 21)	1,099,315	2	1,347,006	2
Total non-current liabilities	16,345,449	27	17,437,202	31
Total liabilities	35,868,832	59	32,950,323	59
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)</b>				
Ordinary shares	12,402,795	20	12,402,795	22
Capital surplus	368,946	1	368,946	1
Retained earnings				
Legal reserve	4,437,120	8	4,188,871	7
Special reserve	781,875	1	1,442,690	3
Unappropriated earnings	7,430,191	12	5,213,715	9
Total retained earnings	12,649,186	21	10,845,276	19
Other equity	(1,181,819)	(2)	(782,520)	(1)
Total equity attributable to owners of the Company	24,239,108	40	22,834,497	41
<b>NON-CONTROLLING INTERESTS (Note 22)</b>	<b>427,749</b>	<b>1</b>	<b>403,805</b>	<b>-</b>
Total equity	24,666,857	41	23,238,302	41
<b>TOTAL</b>	<b>\$ 60,535,689</b>	<b>100</b>	<b>\$ 56,188,625</b>	<b>100</b>

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

(With Deloitte & Touche auditors' report dated March 11, 2022)

## Eternal Materials Co., Ltd. and Subsidiaries

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 23 and 32)	\$ 50,471,397	100	\$ 38,370,366	100
OPERATING COSTS (Notes 9, 24 and 32)	<u>39,777,249</u>	<u>79</u>	<u>29,484,478</u>	<u>77</u>
GROSS PROFIT	<u>10,694,148</u>	<u>21</u>	<u>8,885,888</u>	<u>23</u>
OPERATING EXPENSES (Notes 8, 24 and 32)				
Selling and marketing expenses	2,956,111	6	2,226,281	6
General and administrative expenses	2,122,880	4	2,037,956	5
Research and development expenses	1,526,595	3	1,385,294	4
Expected credit loss (gain)	<u>(6,479)</u>	<u>-</u>	<u>97,431</u>	<u>-</u>
Total operating expenses	<u>6,599,107</u>	<u>13</u>	<u>5,746,962</u>	<u>15</u>
PROFIT FROM OPERATIONS	<u>4,095,041</u>	<u>8</u>	<u>3,138,926</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 24)	97,049	-	112,264	-
Other income (Notes 24 and 32)	283,647	1	234,548	1
Other gains and losses (Notes 7, 14, 15, 18 and 24)	(168,556)	-	(237,558)	(1)
Loss on disposal of financial assets at amortized cost (Note 14)	-	-	(49,268)	-
Finance costs (Note 24)	(291,812)	(1)	(385,432)	(1)
Share of the profit of associates and joint ventures (Note 14)	<u>416,490</u>	<u>1</u>	<u>331,029</u>	<u>1</u>
Total non-operating income and expenses	<u>336,818</u>	<u>1</u>	<u>5,583</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	4,431,859	9	3,144,509	8
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(946,149)</u>	<u>(2)</u>	<u>(651,292)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>3,485,710</u>	<u>7</u>	<u>2,493,217</u>	<u>6</u>

(Continued)

## Eternal Materials Co., Ltd. and Subsidiaries

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 14, 21, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 54,804	-	\$ (44,110)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	105,061	-	299,457	1
Remeasurement of defined benefit plans of associates and joint ventures accounted for using the equity method	(1,852)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	21,977	-	(23,479)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statement of foreign operations	(454,706)	(1)	352,763	1
Share of the other comprehensive income (loss) of associates and joint ventures	<u>(14,566)</u>	<u>-</u>	<u>9,320</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(289,282)</u>	<u>(1)</u>	<u>593,951</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,196,428</u>	<u>6</u>	<u>\$ 3,087,168</u>	<u>8</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 3,549,268		\$ 2,543,496	
Non-controlling interests	<u>(63,558)</u>		<u>(50,279)</u>	
	<u>\$ 3,485,710</u>		<u>\$ 2,493,217</u>	
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 3,268,236		\$ 3,139,446	
Non-controlling interests	<u>(71,808)</u>		<u>(52,278)</u>	
	<u>\$ 3,196,428</u>		<u>\$ 3,087,168</u>	
EARNINGS PER SHARE (Note 26)				
Basic	\$ 2.86		\$ 2.05	
Diluted	2.85		2.04	

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

(Concluded)

(With Deloitte & Touche auditors' report dated March 11, 2022)

## Eternal Materials Co., Ltd. and Subsidiaries

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Company						Other Equity		Total	Non-controlling Interests	Total Equity
	Ordinary Shares	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity			
			Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2021	\$ 12,402,795	\$ 368,946	\$ 4,188,871	\$ 1,442,690	\$ 5,213,715	\$ (1,320,826)	\$ 538,306	\$ (782,520)	\$ 22,834,497	\$ 403,805	\$ 23,238,302
Appropriation of the 2020 earnings (Note 22)											
Legal reserve appropriated	-	-	248,249	-	(248,249)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(660,170)	660,170	-	-	-	-	-	-
Cash dividends - NT\$1.5 per share	-	-	-	-	(1,860,419)	-	-	-	(1,860,419)	-	(1,860,419)
	-	-	248,249	(660,170)	(1,448,498)	-	-	-	(1,860,419)	-	(1,860,419)
Net profit (loss) for the year ended December 31, 2021	-	-	-	-	3,549,268	-	-	-	3,549,268	(63,558)	3,485,710
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	42,638	(461,022)	137,352	(323,670)	(281,032)	(8,250)	(289,282)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	3,591,906	(461,022)	137,352	(323,670)	3,268,236	(71,808)	3,196,428
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	95,752	95,752
Disposals of investments in equity instruments at fair value through other comprehensive income (Note 22)	-	-	-	-	72,423	-	(75,629)	(75,629)	(3,206)	-	(3,206)
Others	-	-	-	(645)	645	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2021	\$ 12,402,795	\$ 368,946	\$ 4,437,120	\$ 781,875	\$ 7,430,191	\$ (1,781,848)	\$ 600,029	\$ (1,181,819)	\$ 24,239,108	\$ 427,749	\$ 24,666,857
BALANCE AT JANUARY 1, 2020	\$ 12,402,795	\$ 356,046	\$ 3,942,840	\$ 510,893	\$ 5,645,452	\$ (1,684,908)	\$ 242,219	\$ (1,442,689)	\$ 21,415,337	\$ 504,398	\$ 21,919,735
Appropriation of the 2019 earnings (Note 22)											
Legal reserve appropriated	-	-	246,031	-	(246,031)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	931,797	(931,797)	-	-	-	-	-	-
Cash dividends - NT\$1.4 per share	-	-	-	-	(1,736,391)	-	-	-	(1,736,391)	-	(1,736,391)
	-	-	246,031	931,797	(2,914,219)	-	-	-	(1,736,391)	-	(1,736,391)
Net profit (loss) for the year ended December 31, 2020	-	-	-	-	2,543,496	-	-	-	2,543,496	(50,279)	2,493,217
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(35,088)	364,082	266,956	631,038	595,950	(1,999)	593,951
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	2,508,408	364,082	266,956	631,038	3,139,446	(52,278)	3,087,168
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(146)	(146)
Difference between the consideration received or paid and the carrying amount of the subsidiaries during actual disposal or acquisition (Note 27)	-	12,842	-	-	-	-	-	-	12,842	(40,571)	(27,729)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(7,598)	(7,598)
Disposals of investments in equity instruments at fair value through other comprehensive income (Note 22)	-	-	-	-	(25,926)	-	29,131	29,131	3,205	-	3,205
Others	-	58	-	-	-	-	-	-	58	-	58
BALANCE AT DECEMBER 31, 2020	\$ 12,402,795	\$ 368,946	\$ 4,188,871	\$ 1,442,690	\$ 5,213,715	\$ (1,320,826)	\$ 538,306	\$ (782,520)	\$ 22,834,497	\$ 403,805	\$ 23,238,302

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

(With Deloitte & Touche auditors' report dated March 11, 2022)

## Eternal Materials Co., Ltd. and Subsidiaries

### CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 4,431,859	\$ 3,144,509
Adjustments for:		
Depreciation expense	2,085,827	1,980,353
Amortization expense	26,385	60,096
Expected credit loss (gain)	(6,479)	97,431
Net gain on fair value changes of financial assets at fair value through profit or loss	(14,252)	(40,262)
Finance costs	291,812	385,432
Loss on disposal of financial assets at amortized cost	-	49,268
Interest income	(97,049)	(112,264)
Dividend income	(53,409)	(36,443)
Share of the profit of associates and joint ventures	(416,490)	(331,029)
Loss (gain) on disposal of property, plant and equipment	(60,279)	9,193
Gain on disposal of investments	(2,905)	(130,159)
Impairment loss recognized on financial assets	-	85,581
Impairment loss recognized on non-financial assets	198,562	272,143
Others	(485)	(184)
Changes in operating assets and liabilities		
Notes receivable	(1,579,151)	(649,039)
Notes receivable from related parties	(38,610)	12,299
Accounts receivable	(1,089,617)	(1,476,063)
Accounts receivable from related parties	(18,646)	5,211
Other receivables	(27,322)	131,884
Inventories	(3,371,102)	(395,217)
Other current assets	(73,908)	33,126
Notes payable	329,208	320,822
Accounts payable	1,173,458	1,287,515
Other payables	127,562	57,582
Other current liabilities	19,381	112,533
Other non-current liabilities	(171,219)	(32,409)
Cash generated from operations	1,663,131	4,841,909
Interest received	92,461	108,080
Dividends received	371,342	153,562
Interest paid	(295,867)	(406,073)
Income taxes paid	(1,081,500)	(549,444)
Net cash generated from operating activities	<u>749,567</u>	<u>4,148,034</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	84,697	18,706
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	1,517
Purchase of financial assets at fair value through profit or loss	(1,507,103)	(2,446,166)
Proceeds from disposal of financial assets at fair value through profit of loss	1,511,193	2,516,801

(Continued)

## Eternal Materials Co., Ltd. and Subsidiaries

### CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Proceeds from disposal of investments accounted for using the equity method	\$ -	\$ 431
Proceeds from disposal of subsidiaries	-	150,216
Proceeds from capital reduction of investments accounted for using the equity method	-	72,202
Payments for property, plant and equipment	(2,048,942)	(1,457,518)
Proceeds from disposal of property, plant and equipment	56,184	119,759
Decrease (increase) in other receivables from related parties	1,856	(6,509)
Payments for intangible assets	(9,100)	(157,762)
Decrease in long-term lease receivables	27,561	30,750
Increase in other financial assets	(134,641)	(9,910)
Increase in other non-current assets	(206,689)	(67,533)
Net cash used in investing activities	<u>(2,224,984)</u>	<u>(1,235,016)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	240,145	(3,854)
Proceeds from issuance of bonds	2,500,000	-
Proceeds from long-term borrowings	18,937,047	16,650,324
Repayments of long-term borrowings	(19,933,911)	(17,643,619)
Increase (decrease) in guarantee deposits received	(11,294)	6,745
Repayment of the principal portion of lease liabilities	(123,411)	(59,627)
Dividends paid	(1,860,419)	(1,736,391)
Net cash outflow on acquisition of further interests of subsidiaries	-	(27,729)
Increase (decrease) in non-controlling interests	95,752	(7,598)
Others	-	58
Net cash used in financing activities	<u>(156,091)</u>	<u>(2,821,691)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>(187,319)</u>	<u>7,321</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(1,818,827)</u>	<u>98,648</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>6,108,294</u>	<u>6,009,646</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 4,289,467</u>	<u>\$ 6,108,294</u>

#### Reconciliation of cash and cash equivalents as of December 31, 2021 and 2020

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash and cash equivalents in the consolidated balance sheets	\$ 4,250,469	\$ 6,108,294
Cash and cash equivalents classified to non-current assets held for sale	<u>38,998</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 4,289,467</u>	<u>\$ 6,108,294</u>

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

(Concluded)

(With Deloitte & Touche auditors' report dated March 11, 2022)



## Attachment VI

Eternal Materials Co., Ltd.  
2021 Earnings Distribution Table

Unit: NTD

Item	Amount
<b>I. Distributable amount</b>	
Undistributed earnings at the beginning of the period	3,765,217,940
2021 After-tax net income	3,549,268,474
Special reserve arising from first-time application of TIFRS	645,282
Adjusted retained earnings for remeasurement of defined benefit plan	45,802,199
Adjusted retained earnings for investments accounted for using the equity method	(3,164,789)
Disposal of equity instruments measured at fair value through other comprehensive income	72,422,693
The net income after tax for current period plus items other than the net income after tax for current period are included in the undistributed earnings of the current year	3,664,973,859
10% appropriated as legal reserve	(366,497,386)
Reversal of special reserve appropriation	(399,943,888)
Distributable retained earnings	6,663,750,525
<b>II. Distributable item:</b>	
Cash dividends for shareholders at NT\$1.5 per share	(1,860,419,183)
<b>III. Undistributed earnings at the end of the period</b>	<u>4,803,331,342</u>

- Dividends for shareholders to be distributed should be appropriated from the earnings in 2021 first.
- According to the Letter No. 1090150022 issued by Financial Supervisory Commission on March 31, 2021, the Company chose to adopt the exemptions in IFRS 1, so special reserve of NT\$426,930,232 was appropriated for retained earnings transferred from unrealized incremental value from revaluation. The special reserve was reversed by NT \$ 645,282 in 2021.
- According to the Letter No. 1090150022 issued by Financial Supervisory Commission on March 31, 2021, the Company should appropriate special reserve of NT\$1,181,819,081 for net amount of other equity deductions due to translation differences of assets and liabilities of foreign operations and the revaluation of fair value of financial investments. As the Company had accumulated special reserve of NT\$781,875,193, the difference of NT\$399,943,888 between the appropriated amount and the deduction to other equity shall be reversed from the special reserve.

Chairman	Kao, Kuo-Lun	General Manager	Mao, Hui-Kuan	Principal Accounting Officer	Su, Hui-Fang
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## Attachment VII

Eternal Materials Co., Ltd.

Comparison Table for the Amendments to the Articles of Incorporation

After the Amendments	Before the Amendments	Reasons for the Amendments
<p><b>Article 18</b> The Company shall set aside the following in order before distributing earnings, if any:</p> <ol style="list-style-type: none"> <li>① Income taxes.</li> <li>② Make up for accumulated deficit.</li> <li>③ Appropriate 10% as legal reserve; where such legal reserve amounts to the total paid-in capital, this provision shall not apply.</li> <li>④ Appropriate or reversal of special reserve according to resolution from the Shareholders' Meeting or regulations from competent authority.</li> <li>⑤ The distributable earnings shall consist of the balance of earnings plus the undistributed earnings. The Board of Directors shall propose the earnings distribution in the shareholders' meeting for a resolution.</li> </ol> <p><u>In accordance with Article 240 of the Company Act, the Company authorizes the board of directors to distribute dividends and bonuses with the presence of more than two-thirds of the directors and the resolution of more than half of the directors present, or the company Act All or part of the statutory surplus reserve and capital reserve stipulated in Paragraph 1 of Article 241 shall be distributed in cash and reported to the shareholders meeting.</u></p> <p>Committed to the sustainable development and sustainable growth, the Company expects to have major expansion plans. Dividends to be distributed to shareholders shall not be less than 30% of the balance of earnings in a year. Cash dividends shall not be less than 10% of total distributable dividends for a year.</p>	<p><b>Article 18</b> The Company shall set aside the following in order before distributing earnings, if any:</p> <ol style="list-style-type: none"> <li>① Income taxes.</li> <li>② Make up for accumulated deficit.</li> <li>③ Appropriate 10% as legal reserve; where such legal reserve amounts to the total paid-in capital, this provision shall not apply.</li> <li>④ Appropriate or reversal of special reserve according to resolution from the Shareholders' Meeting or regulations from competent authority.</li> <li>⑤ The distributable earnings shall consist of the balance of earnings plus the undistributed earnings. The Board of Directors shall propose the earnings distribution in the shareholders' meeting for a resolution.</li> </ol> <p>Committed to the sustainable development and sustainable growth, the Company expects to have major expansion plans. Dividends to be distributed to shareholders shall not be less than 30% of the balance of earnings in a year. Cash dividends shall not be less than 10% of total distributable dividends for a year.</p>	<p>Cooperate with the revision of the Company Act to authorize the Board of Directors to decide on the distribution of cash dividends.</p>
<p><b>Article 20</b> These Articles were enacted on November 17, 1964. ...(Omitted)... The 55th amendment will take place on July 07, 2021. <u>The 56th amendment will take place on June 23, 2022.</u></p>	<p><b>Article 20</b> These Articles were enacted on November 17, 1964. ...(Omitted)... The 55th amendment will take place on July 07, 2021.</p>	<p>The date of the current amendment was added.</p>

## Attachment VIII

### Eternal Materials Co., Ltd.

#### Comparison Table for the Amendments to the Acquisition and Disposal of Assets

After the Amendments	Before the Amendments	Reasons for the Amendments
<p><b>Article 6</b> (The first part is omitted)</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 their respective trade associations</u> and the following:</p> <p>I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>II. When <u>enforcing</u> audit assignments, they shall plan and implement appropriate operating procedures to draw a conclusion as the basis of producing a report or expressing an opinion; and maintain a full record of the implementation procedures, gathered data, and conclusions in the worksheet.</p> <p>III. They shall assess the integrity, and <u>reasonableness</u> of the data sources, parameters and information used on a case-by-case basis as the basis for issuing appraisal reports or written opinions.</p> <p>IV. The declaration shall include the professionalism and independence of the relevant personnel, the assessment of the <u>reasonableness</u> and correctness of the information used and the compliance with the relevant laws and regulations.</p>	<p><b>Article 6</b> (The first part is omitted)</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <p>I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>II. When <del>reviewing audit</del> assignments, they shall plan and implement appropriate operating procedures to draw a conclusion as the basis of producing a report or expressing an opinion; and maintain a full record of the implementation procedures, gathered data, and conclusions in the worksheet.</p> <p>III. They shall assess the integrity, <del>correctness and</del> <u>reasonableness</u> of the data sources, parameters and information used on a case-by-case basis as the basis for issuing appraisal reports or written opinions.</p> <p>IV. The declaration shall include the professionalism and independence of the relevant personnel, the assessment of the reasonableness and <del>correctness</del> of the information used and the compliance with the relevant laws and regulations.</p>	<p>1. The procedures and responsibilities to be followed by external experts should be clarified to amend the wording of Item 2.</p> <p>2. In line with the provisions of the Code, the wording of the Section 2, Paragraph 2, "reviewing" cases is amended to "enforcement" cases.</p> <p>3. In line with the actual assessment, the wording of Section 2, Paragraph 3 and Paragraph 4 is amended as</p>

		appropriate.
<p><b>Article 8</b></p> <p>Procedures for Acquisition and Disposal of Real Estate, Equipment or The Right-of-use Thereof:</p> <p>I. (Omitted)</p> <p>II. Procedure of Evaluation (Omitted)</p> <p>(I) (Omitted)</p> <p>(II) (Omitted)</p> <p>(III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal reports, unless all the appraisal reports for the assets to be acquired are higher than the transaction price, or all the appraisal reports for the assets to be disposed of are lower than the transaction price, a CPA shall be engaged to render a specific opinion regarding the reason for the discrepancy and the fairness of the transaction price:</p> <p>(The following is omitted)</p>	<p><b>Article 8</b></p> <p>Procedures for Acquisition and Disposal of Real Estate, Equipment or The Right-of-use Thereof:</p> <p>I. (Omitted)</p> <p>II. Procedure of Evaluation (Omitted)</p> <p>(I) (Omitted)</p> <p>(II) (Omitted)</p> <p>(III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal reports, unless all the appraisal reports for the assets to be acquired are higher than the transaction price, or all the appraisal reports for the assets to be disposed of are lower than the transaction price, a CPA shall be engaged to perform the appraisal <del>in accordance with the provisions of No. 20 of the Statement of Auditing Standards published by the Accounting Research and Development Foundation</del> and render a specific opinion regarding the reason for the discrepancy and the fairness of the transaction price:</p> <p>(The following is omitted)</p>	<p>In line with the amendment to Article 6, the wording of Paragraph 2, Item 3, which states that the accountant should comply with the Statement on Auditing Standards, has been deleted as appropriate.</p>
<p><b>Article 9</b></p> <p>Procedures for Acquisition and Disposal of Securities:</p> <p>I. (Omitted)</p> <p>II. Procedure of Evaluation</p> <p>In acquiring or disposing of securities, the Company shall, <u>prior to the date of event</u>, obtain the issuing company's latest financial reports which are certified or reviewed by a certified public accountant for reference in appraising the transaction price, and if in circumstances where the transaction amount reaches 20% of the Company's paid-in-capital or exceeds</p>	<p><b>Article 9</b></p> <p>Procedures for Acquisition and Disposal of Securities:</p> <p>I. (Omitted)</p> <p>II. Procedure of Evaluation</p> <p>In acquiring or disposing of securities, <del>firstly,</del> the Company shall obtain the issuing company's latest financial reports which are certified or reviewed by a certified public accountant for reference in appraising the transaction price, and if in circumstances where the transaction amount reaches 20% of the Company's paid-in-capital or exceeds NT\$300 million, the</p>	<p>1. The timing of acquisition is clearly defined in line with the requirements of the Code.</p> <p>2. Reasons for the Amendments are the same as those stated in Article 8.</p>

<p>NT\$300 million, the Company shall engage a certified public accountant to provide an opinion with respect to the reasonableness of the transaction price <u>prior to the date of event</u>. This requirement shall not apply to publicly quoted prices of an active market or is otherwise regulated by responsible authorities.</p>	<p>Company shall engage a certified public accountant to provide an opinion with respect to the reasonableness of the transaction price. <del>If the certified public accountant needs to use the report of an expert as evidence, the certified public accountant shall do so in accordance with the Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation.</del> This requirement shall not apply to publicly quoted prices of an active market or is otherwise regulated by responsible authorities.</p>	
<p><b>Article 10</b> Procedures for Acquisition and Disposal of Intangible Assets or The Right-of-use Thereof or Membership:</p> <p>I. (Omitted)</p> <p>II. Procedure of Evaluation</p> <p>(I) (Omitted)</p> <p>(II) (Omitted)</p> <p>(III) When the Company's acquisition or disposal of membership , or intangible assets or the right-of-use thereof exceeds 20% of the Company's paid-in-capital or NT\$ 300 million, unless the transaction is conducted with domestic government bodies, the Company shall engage a certified public accountant to render an opinion on the reasonableness of the transaction price prior to the date of event.</p>	<p><b>Article 10</b> Procedures for Acquisition and Disposal of Intangible Assets or The Right-of-use Thereof or Membership:</p> <p>I. (Omitted)</p> <p>II. Procedure of Evaluation</p> <p>(I) (Omitted)</p> <p>(II) (Omitted)</p> <p>(III) When the Company's acquisition or disposal of membership, or intangible assets, or the right-of-use thereof exceeds 20% of the Company's paid-in-capital or NT\$ 300 million, unless the transaction is conducted with domestic government bodies, the Company shall engage a certified public accountant to render an opinion on the reasonableness of the transaction price prior to the date of event. <del>The certified public accountant shall handle relevant matters in accordance with the Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation.</del></p>	<p>Reasons for the Amendments are the same as those stated in Article 8.</p>
<p><b>Article 11</b></p> <p>(The first part is omitted)</p> <p>I. Procedure of Evaluation and Operating:</p> <p>Except for the trading of domestic government bonds or</p>	<p><b>Article 11</b></p> <p>(The first part is omitted)</p> <p>I. Procedure of Evaluation and Operating:</p> <p>Except for the trading of domestic government bonds or</p>	<p>1. The scope of the amended norms is consistent with</p>

<p>RP/RS bonds, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, in acquiring or disposing the real estate or the right-of-use assets thereof from or to a related party, or acquiring or disposing the assets other than real estate <u>or the right-of-use assets thereof</u> from or to a related party, and the transaction amount exceeds 20% of the Company's paid-in-capital, 10% of the Company's total assets, or NT\$300 million, <u>the Company may not proceed with the execution of a transaction contract or making any payment before the following information has been submitted and processed in accordance with the procedures set forth in Article 7, and the approval of Board of Directors:</u></p> <p>(I)-(VII) (Omitted)</p> <p><u>When conducting the following transactions between the Company and its subsidiaries, or between its subsidiaries in which it holds directly 100% of the issued shares or total capital, acquire or dispose of equipment, right-of-use thereof, or real estate, by authorizing the Chairman to make decisions within the limits set by the Company's authorization rules and subsequently report to the most recent Board of Directors for ratification.</u></p> <p><u>Where this corporation or a subsidiary that is not a domestic public company has a transaction referred to in Paragraph 1 and the transaction amount reaches more than 10% of the total assets of this Corporation, the Company may not proceed with the execution of a</u></p>	<p>RP/RS bonds, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, in acquiring or disposing the real estate or the right-of-use assets thereof from or to a related party, or acquiring or disposing the assets other than real estate or the right-of-use assets thereof from or to a related party, and the transaction amount exceeds 20% of the Company's paid-in-capital, 10% of the Company's total assets, or NT\$300 million, <del>the amount and procedure of the approval shall be in accordance with the procedures set forth in Article 7. The Company may not proceed with the execution of a transaction contract or making any payment before the approval of Board of Directors. When conducting the following transactions between the Company and its subsidiaries, acquire or dispose of equipment, right of use thereof, or real estate, by authorizing the Chairman to make decisions within the limits set by the Company's authorization rules and subsequently report to the most recent Board of Directors for ratification:</del></p> <p>(I)-(VII) (Omitted)</p> <p>The calculation of the amount of transaction has been</p>	<p>the standard.</p> <p>2. In line with the requirements of the Code, the following items are explicitly stated as submissions and the parts that could have been delegated to the Chairman for prior decision have been moved to a separate paragraph at a later stage.</p> <p>3. To strengthen the management of related party transactions, to protect the rights of minority shareholders of public companies to express their opinions on transactions between the company and</p>
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<p><u>transaction contract or making any payment after submitting the information on the items listed in Paragraph 1 to the Shareholders' Meeting for approval. This shall not apply to transactions between the Company and its subsidiaries or between subsidiaries.</u></p> <p>The calculation of the amount of transaction has been approved by the Audit Committee and submitted to the <u>Shareholders' meetings</u> and the Board of Directors for partial exemption.</p> <p>For the calculation of 10% of total assets, the total assets stated in the Company's 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.</p> <p>II. Assessment of The Reasonableness of Transaction Costs: (Omitted)</p> <p>(VI) In the event any of the following exists when the Company acquires real estate or the right-of-use thereof from a related party, the acquisition shall be conducted in accordance with Paragraph I. but not Item (1) to (3):</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real estate or the right-of-use thereof through inheritance or as a gift.</li> <li>2. More than five years have elapsed from the time the related party signed the contract to obtain the real estate or the right-of-use assets thereto to the signing date of the transaction.</li> <li>3. The real estate is acquired through signing a joint development contract with the related party, or through engaging a related party to build real estate, either on the Company's own land or on</li> </ol>	<p>approved by the Audit Committee and submitted to the Board of Directors for partial exemption.</p> <p>For the calculation of 10% of total assets, the total assets stated in the Company's 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.</p> <p>II. Assessment of The Reasonableness of Transaction Costs: (Omitted)</p> <p>(VI) In the event any of the following exists when the Company acquires real estate or the right-of-use thereof from a related party, the acquisition shall be conducted in accordance with Paragraph I. but not Item (1) to (3):</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real estate or the right-of-use thereof through inheritance or as a gift.</li> <li>2. More than five years have elapsed from the time the related party signed the contract to obtain the real estate or the right-of-use assets thereto to the signing date of the transaction.</li> <li>3. The real estate is acquired through signing a joint development contract with the related party, or through engaging a related party to build real estate, either on the Company's own land or on rented land.</li> <li>4. Acquisition of real estate for business use or right-of-use assets thereto between subsidiaries.</li> </ol> <p>(The following is omitted)</p>	<p>related parties, and to consider the needs of the public company and its group's overall business planning, the text of Paragraph 1 was added.</p> <p>4. In line with the addition of Paragraph 1, the calculation of the revised amount of transaction is included in the transaction submitted to the Shareholders' Meeting for approval.</p> <p>5. In line with the criteria, Paragraph 2, Item 6, (4.), Trading Objects was amended on.</p>
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<p>rented land.</p> <p>4. The acquisition or disposal of the right-of-use assets of real estates between the subsidiaries, <u>or between its subsidiaries in which it holds directly 100% of the issued shares or total capital.</u></p> <p>(The following is omitted)</p>		
<p><b>Article 15</b> Procedures for dealing with Merger, division, acquisition, or transfer of shares:</p> <p>(The first part is omitted)</p> <p>II. Other matters required to be:</p> <p>(The middle part is omitted)</p> <p>(VIII) When the company participates in a merger, division, acquisition or share transfer, it shall, within two days from the date of adoption of the resolution of the board of directors, report the information in Article (7)<u>1 and 2</u> in the international network information system to the securities authority for future reference in accordance with the prescribed format.</p>	<p><b>Article 15</b> Procedures for dealing with Merger, division, acquisition, or transfer of shares:</p> <p>(The first part is omitted)</p> <p>II. Other matters required to be:</p> <p>(The middle part is omitted)</p> <p>(VIII) When the company participates in a merger, division, acquisition or share transfer, it shall, within two days from the date of adoption of the resolution of the board of directors, report the information in Article (7) in the international network information system to the securities authority for future reference in accordance with the prescribed format.</p>	<p>According to the criteria, only the information in paragraphs (7) 1 and 2 is required to be reported</p>
<p><b>Article 16</b></p> <p>The acquisition or disposal of assets shall be declared by public announcement, and the announcement declaration standards are as follows:</p> <p>I. Acquire or dispose of real estate or assets with the right of use from the related person, or acquire or dispose of real estate or other assets other than <u>assets with the right of use</u> from the related person, and the transaction amount is 20% of the paid-in capital of the company, 10% of the total assets or more than NT \$300 million. but not subject to the trading of domestic government bonds or RP/RS bonds, or subscription or redemption of money market</p>	<p><b>Article 16</b></p> <p>The acquisition or disposal of assets shall be declared by public announcement, and the announcement declaration standards are as follows:</p> <p>I. Acquire or dispose of real estate or assets of the right to use from related persons, or acquire or dispose of other assets other than real estate or <del>assets of the right to use</del> from related persons, and the transaction amount is 20 percent of the paid-in capital of the company, 10 percent of the total assets or more than NT \$300 million. but not subject to the trading of domestic government bonds or RP/RS bonds, or subscription or redemption of money market</p>	<p>1. The scope of the amended norms is consistent with the standard.</p> <p>2. According to the guidelines, the trading of bonds and issuance of foreign bonds with a rating no lower than China's</p>



<p>funds issued by domestic securities investment trust enterprises.</p> <p>II.-V. ...(Omitted)</p> <p>VI. In asset transactions other than those mentioned in the preceding five paragraphs, financial institutions dispose of creditor's rights or engage in investment in mainland China, and the transaction amount amounts to 20% of the paid-in capital of the company or more than NT \$300 million. However, the following circumstances are not subject to the restrictions:</p> <p>(I) Domestic government bonds or foreign government bonds with a credit rating no lower than our sovereign rating.</p> <p>(II) Trading of RP/RS bonds or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(The following is omitted)</p>	<p>funds issued by domestic securities investment trust enterprises.</p> <p>II.-V. ...(Omitted)</p> <p>VI. In asset transactions other than those mentioned in the preceding five paragraphs, financial institutions dispose of creditor's rights or engage in investment in mainland China, and the transaction amount amounts to 20% of the paid-in capital of the company or more than NT \$300 million. However, the following circumstances are not subject to the restrictions:</p> <p>(I) Trading of domestic government bonds.</p> <p>(II) Trading of RP/RS bonds or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(The following is omitted)</p>	<p>sovereign rating are also exempted from public declaration.</p>
<p><b>Article 18</b></p> <p>If any employee of the company violates this procedure in obtaining and disposing assets, he/she shall be punished according to the company's personnel management rules and employee handbook.</p>	<p><b>Article 18</b></p> <p>If any employee of the Company obtains or disposes of assets in violation of the provisions of this procedure, he/she shall be subject to <del>regular</del> reporting and <del>assessment</del>—in accordance with the personnel management rules and employee manual of the Company, and shall be punished according to the seriousness of the circumstances.</p>	<p>Text revision.</p>

## **Attachment IX**

### **Eternal Materials Co., Ltd.**

#### **Relevant business of the Electrical Equipment Task Force of the Electronic Eaterials Business Unit.**

#### **Spin-off Plan**

In accordance with the merger and acquisition Law, Company Act and other relevant laws and regulations, to reengineer enterprises, enhance market competitiveness and implement professional division of labor, Eternal Materials Co., Ltd.(hereinafter referred to as the Company) plans to set up a new division of the electronic Materials business unit independently operated by the company's electrical equipment task force (hereinafter referred to as the Electrical Equipment Task Force ) business, It was transferred to the newly established Eternal Precision Mechanics Co., Ltd. (hereinafter referred to as Eternal Precision Mechanics). We hope to improve the overall operating performance and market competitiveness of the business department under the condition of independent operation. The terms of the spin-off plan (hereinafter referred to as the spin-off plan) are as follows:

#### **Article 1 Participating in the spin-off of the company :**

Divided company: Eternal Materials Co., Ltd.

Newly established company with divided business: Eternal Precision Mechanics Co., Ltd.

#### **Article 2 Articles of New Incorporation**

See Attachment I for the Articles of Association of Eternal Precision Mechanics Co., Ltd.

#### **Article 3 Method of spin-off:**

In this spin-off case, a new division method is adopted. The company assigns the special case group of electrical equipment task force to Eternal Precision Mechanics, and Eternal Precision Mechanics issues new shares to the company as the consideration for the business value of the transferred and divided business.

#### **Article 4 The scope of business, value of business, assets and liabilities assigned by the divided company:**

I. Business scope transferred by division:

- (I) The company's electrical equipment task force and its related businesses.
- (II) Assets and liabilities (including tangible, intangible and other assets and liabilities) of the company's electrical equipment Task Force and its related operations.
- (III) The relevant personnel of the company's electrical equipment task force and the labor retirement reserve allocated for the divided employees.
- (IV) Relevant business contracts of the company's electrical equipment task force (including but not limited to: Sales contracts, loan contracts and other related contracts), legal relations, legal status, licenses, permits and related interests. Where the transfer of a contract is ordered by law or requires the consent of the counterpart of the original contract or other third party in accordance with the provisions of the contract, it shall take effect only with the consent of the counterpart or third party.
- (V) The relevant business intellectual property rights of the electrical materials and equipment task force owned by the company before the base date of the spin-off , including patents, trademarks, technologies and business secrets, and a list of patents and trademarks. The company and Eternal Precision Mechanics Co., Ltd. shall cooperate with each other to handle the right transfer procedures, technology transfer procedures, right maintenance procedures and the provision of relevant materials, documents and procedures of the previously disclosed intellectual property rights, so that the other party can exercise relevant rights; The cost of rights maintenance after the base date of spin-off shall be borne by Eternal Precision Mechanics Co., Ltd. The division of intellectual property rights under this paragraph shall not affect the rights and confidentiality obligations of others authorized before the spin-off .
- (VI) Other assets, liabilities, rights and obligations, rights and interests related to the business of the company's electrical materials and equipment task force, tax incentives, licenses, permits that have been acquired but have not expired or deducted, as well as relevant legal relations, factual relations and status.  
The company shall assist and cooperate with Eternal Precision Mechanics Co., Ltd. in handling the relevant transfer procedures of front disclosure.

- II. Relevant business value of split assignment: Calculated by dividing and transferring assets less liabilities, the estimated total value is NT \$550,000,000 (the same below).
- III. Assets transferred by Division: The assets before the split that are expected to be transferred by the split are shown in Attachment II, which is expected to be NT \$ 552,869,308.
- IV. Liabilities transferred by Division: The liabilities before the split are expected to be transferred by the split, as shown in Attachment II, which is expected to be NT & 2,869,308.
- V. The operating value, assets and liabilities of the above-mentioned split and transfer are temporarily evaluated on the basis of the book value of the company's financial statements audited and certified by a CPA on December 31, 2021 (the amount of Investments Accounted for Using the Equity Method shall also deduct the dividend expected to be distributed by the subsidiary), but the actual amount is still based on the book value on the base date of the spin-off .
- VI. The board of directors of the company shall be authorized by the board of shareholders of the company to adjust the assets, liabilities and shareholders' equity transferred in connection with the Division set forth above if necessary.

**Article 5 The business value transferred by the divided company to the newly established company and the proportion and calculation basis of the number of shares issued by the divided company in exchange for the newly established company:**

- I. Number of issued shares obtained: The operating value of the company's division and transfer of electrical materials and equipment task force is NT \$ 550,000,000. The company exchanged NT \$ 10.57692 per share for 1 common share newly issued by Eternal Precision Mechanics Co., Ltd, with a par value of NT \$ 10 per share. The company exchanged a total of 52,000,000 common shares of Eternal Precision Mechanics Co., Ltd.
- II. Calculation basis: The above-mentioned share exchange ratio is determined by reference to the business value of the company's proposed division and transfer and the letter of intent of the independent expert. See Attachment III for details.

**Article 6 Adjustment of the business value, assets and liabilities transferred by the divided**

**company and the proportion of the number of shares issued by Eternal Precision Mechanics Co., Ltd:**

- I. The necessary adjustment items of the assets and liabilities accounts of the split and assigned business value as set forth above on the record date of the spin-off shall be adjusted by the board of directors authorized by the board of shareholders of the company.
- II. The number of new shares issued by Eternal Precision Mechanics Co., Ltd. specified in this split plan is fixed at 52,000,000 shares, which will not be adjusted due to the adjustment of the business value, assets and liabilities transferred by the above split.

**Article 7 The total number, type and quantity of shares paid by the newly established company undertaking business:**

- I. Eternal Precision Mechanics Co., Ltd shall issue 52,000,000 ordinary shares to the company for the business value borne by the current split.
- II. Eternal Precision Mechanics Co., Ltd. shall complete the establishment registration and issue shares to the company after the base date of the spin-off.
- III. After the completion of this spin-off, the total paid in capital of Eternal Precision Mechanics Co., Ltd. is NT \$ 520,000,000, which is divided into 52,000,000 shares with a par value of NT \$ 10 per share.

**Article 8 The total number, type and quantity of shares obtained by the divided company and the provisions on the cash to be issued if less than one share is allotted:**

The company has acquired 52,000,000 ordinary shares of Eternal Precision Mechanics Co., Ltd. in connection with this spin-off, and there is no case that it is less than 1 share

**Article 9 Summarize the rights, obligations and related matters:**

- I. The rights and obligations of the assets and liabilities divided and transferred to Eternal Precision Mechanics Co., Ltd. in this division case shall be generally borne by Eternal Precision Mechanics Co., Ltd. from the record date of division. If relevant transfer procedures are required, the company shall cooperate. The maintenance cost of relevant rights after the base date of spin-off shall be borne by Eternal Precision Mechanics Co., Ltd.

- II. After the split, the Eternal Precision Mechanics Co., Ltd, which has been assigned business, shall be jointly and severally liable to pay off the debts of the company within the scope of capital contribution of its assigned business, except that the debts arising from the split business can be separated from the debts of the company. However, the creditor's claim for joint and several liability for repayment shall be extinguished if it is not exercised within 2 years from the record date of the spin-off.

**Article 10 spin-off record date:**

The record date of the spin-off was passed by the resolution of the shareholders' meeting of the company and authorized the board of directors to set it.

**Article 11 Purchase and cancellation of shares of dissenting shareholders:**

If the shareholders of the company express their disagreement on the matters related to the spin-off case or the plan according to law, they shall buy back the shares held by the dissenting shareholders according to law; Therefore, the repurchased shares shall be disposed of in accordance with the law with the permission of the competent authority, and the registration shall be changed.

**Article 12 Obligations of creditors to notify and announce and related matters:**

- I. After the resolution of the shareholders' meeting of the company is passed, the resolution of the division shall be notified and announced to the creditors of the company, and a period of more than 30 days shall be specified to state that the creditors may raise objections within the period. If a creditor of the company raises an objection within the specified time limit, the company shall pay off the creditor's right or provide equivalent guarantee or deal with it in accordance with the law.
- II. If the debts paid by the company to the dissenting creditors in accordance with the provisions of the preceding paragraph belong to the division originally assigned to Eternal Precision Mechanics Co., Ltd, the board of directors of the company is authorized to adjust the business scope, business value, assets and liabilities specified in Article 4.

**Article 13 Employee transfer and retention:**

The company divided the relevant employees of its electrical material and equipment

task force and transferred them to Eternal Precision Mechanics Co., Ltd. for further employment. Eternal Precision Mechanics Co., Ltd. also acknowledges the length of service of the retained employees in the company before the base date of spin-off.

**Article 14 Project implementation progress, expected completion schedule and overdue handling:**

- I. The execution progress of this division and the unfinished matters of this division within the time limit are authorized to be agreed by the board of directors of this company according to the actual situation, or to deal with other necessary matters.
- II. In case of any of the following circumstances, the shareholders' meeting of the Company may agree to authorize the Board of Directors to terminate this spin-off case before the spin-off base date and handle related matters with full authority, but the Board of Directors shall report the following matters on the next shareholders' meeting afterwards: (1) The total amount of shares that all shareholders of the Company who object to this division to buy back is more than 2% of the total issued shares of the Company; (2) The Company failed to obtain the consent of the lending bank or most of the joint lending banks for this spin-off according to the loan contract; (3) The Company failed to obtain approval for continued listing in accordance with Article 53-19 of the Operating Rules of Taiwan Stock Exchange Corporation; Or (4) when the economic situation changes and the resolution of the Board of Directors is that it is inappropriate to carry out this division case.

**Article 15 Sharing of taxes and expenses:**

- I. Unless otherwise agreed in this split plan, all taxes or expenses arising from the signing or performance of this split shall be borne by the company unless they meet the tax exemption or exemption provisions. If the spin-off is not effective due to the failure to obtain the approval of the shareholders' meeting or the relevant competent authority or other reasons, the lawyers, accountants and relevant expenses incurred shall be borne by the company.
- II. The company and Eternal Precision Mechanics Co., Ltd. shall cooperate with each other to apply the tax incentives related to this case.

**Article 16 Other Matters:**

- I. If any provision of this spin-off plan conflicts with relevant laws and regulations and is invalid, only the conflicting part is invalid, but other provisions remain valid. As for some provisions that are invalid due to violation of relevant laws and regulations, the shareholders' meeting of the company authorizes the board of directors to negotiate separately within the legal scope in accordance with the provisions of relevant laws and regulations.
- II. If any provision of this division needs to be changed in accordance with the approval of the relevant competent authority, it shall be amended directly in accordance with the contents approved by the relevant competent authority or separately by the board of directors of this corporation in accordance with the approval of the relevant competent authority.
- III. This spin-off shall come into force only after the company submits it to the shareholders' meeting for resolution. However, if the spin-off fails to obtain the approval or permission of the relevant competent authority, this plan will not be effective from the beginning.

**Article 17 Applicable Laws:**

- I. This division case shall be interpreted in accordance with the laws of the Republic of China. In case of any dispute arising from this spin-off case, the Kaohsiung District Court of Taiwan shall be the competent court.
- II. This spin-off shall be conducted in accordance with the Enterprise Merger and Acquisition Law. If there are other new laws (including but not limited to the Tax Preference Act) that are announced and implemented after the enactment of this division plan and are more favorable, this division shall be handled in accordance with the application of the new law.

**Proposed by: Eternal Materials Co., Ltd.**

**Representative Kao, Kuo-Lun**

**March 11, 2022**



**Articles of Incorporation of Eternal Precision Mechanics Co., Ltd.**

**Chapter 1 General Principles**

**Article 1** The Company, organized under the Company Act, shall be named 長廣精機股份有限公司 in Mandarin Chinese, and (Eternal Precision Mechanics Co., Ltd. in English).

**Article 2** The business to be operated by the Company is as follows:

1. E604010 Mechanical Installation
2. CC01080 Electronics Components Manufacturing
3. CB01990 Other Machinery Manufacturing
4. CE01030 Optical Instrument Manufacturing
5. CB01010 Machinery and Equipment Manufacturing
6. F401010 International Trade Industry
7. I199990 Other Consultancy Services
8. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

**Article 3** The Company shall have its head office in Kaohsiung City, and may establish branches at home and abroad by resolution of board of directors when necessary.

**Article 4** Due to business needs, the company may provide external guarantee.

**Article 5** The total amount of the company's reinvestment shall not be subject to the restriction stipulated in Article 13 of the Company Act that the amount of investment shall not exceed 40% of paid-in capital stock.

**Chapter 2 Shares**

**Article 6** The total capital of the company is set at NT \$1 billion (the same below), divided into 100 million shares, each worth NT \$10, to be issued in batches. The board of Directors shall authorize the unissued shares to be issued in batches.

Within the total capital referred to in the preceding paragraph, NT \$ 20 million shall be reserved, divided into two million shares with a par value of NT \$ 10 per share, which shall be used for the exercise of stock options by employees, special

shares with stock options or corporate bonds with stock options, and may be issued in installments in accordance with the resolution of the board of directors.

**Article 7** If this corporation issues employee stock option certificates whose subscription price is not restricted by Article 53 of the standards governing the offering and issuance of securities by issuers, or if treasury shares are transferred to employees and transferred to employees at a price lower than the average price actually bought back, they shall be issued only after the shareholders representing more than half of the total number of issued shares of this corporation attend and more than 2/3 of the voting rights of the shareholders present agree.

**Article 8** The objects of transfer, subscription and issuance of the company's treasury shares to employees, the objects of transfer of purchased shares, the objects of issuance of employee stock option certificates, the employees who take over shares when issuing new shares and the new shares with restricted employee rights may include the employees of the controlling or subordinate company who meet certain conditions, which shall be determined by the board of directors.

**Article 9** The share certificates of the Company shall be in registered form, signed by or affixed with seals by directors representing the company, and then duly authenticated by the competent authority or the issuance registry institution accredited by the competent authority before issuance. This corporation may issue shares in non-physical form, but shall contact the centralized securities depository institution for registration.

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

**Article 10** Shareholders' meetings of the Company are of two types: annual meeting and extraordinary meeting. Annual meetings shall be convened by board of directors once a year within six months after the end of each fiscal year. Extraordinary shareholders' meetings may be called in accordance with applicable laws and regulations whenever necessary.

The convening procedures of the shareholders' meeting of the company shall be handled in accordance with Article 172 of the Company Act. After the company's public offering, the notice of convening the shareholders' meeting may be announced to shareholders holding less than 1000 shares. The reasons for convening a shareholders' meeting shall be specified in the meeting notice. With

the consent of the addressee, the meeting notice may be given in electronic form.

**Article 11** When the shareholders' meeting of the company is held, it may be held by video conference or other means announced by the central competent authority.

If a board of shareholders is conducted by means of video Shareholders' meetings, shareholders who participate in the meeting by such means shall be deemed to have attended the meeting in person.

The conditions, operating procedures and other matters to be complied with the preceding two paragraphs after the public offering of this corporation's shares, if otherwise stipulated by the securities authority.

**Article 12** When the shareholders' meeting is convened by the board of directors, the chairman shall be the chairman. If the chairman is absent, the chairman shall appoint a director to act as the proxy. If not, the board of directors shall elect a person to act as the proxy. When the meeting is convened by a convener other than the board of directors, the convener shall act as the chairman. If there are more than two conveners, one of them shall be elected from each other.

**Article 13** For any shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by using the proxy form issued by the Company and specifying the scope of proxy. The appointment of a proxy from a shareholder shall be handled in accordance with the Company Act and the "rules on the use of power of attorney by public companies to attend shareholders' meetings" promulgated by the competent authority.

**Article 14** Each shareholder of the company shall have one vote per share except under article 179 of the Company Act. After the company's shares are registered on the emerging stock exchange or listed on the OTC market, when convening the shareholders' meeting, electronic means shall be listed as one of the ways to exercise voting rights. Shareholders exercising voting rights by electronic means shall be deemed to be present in person, and relevant matters shall be handled in accordance with the provisions of laws and regulations.

**Article 15** Unless otherwise provided by applicable laws or regulations, a resolution of the shareholders' meeting shall be adopted with consent of a majority of the votes represented by those in attendance at the meeting, in person or by proxy, and representing a majority of the total issued shares. The shareholders' meeting shall be conducted in accordance with the rules of Procedure for Shareholders'

## Meetings

- Article 16** When the board of shareholders elects directors. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates. Those with more voting rights represented by the votes obtained shall be elected as directors.
- Article 17** 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. The preparation, distribution and preservation of the minutes shall be handled in accordance with Article 183 of the Company Act.
- Article 18** When the company's shareholder is only a legal person shareholder, the functions and powers of the shareholders' meeting of the company shall be exercised by the board of directors, and the provisions of the articles of association on the shareholders' meeting shall not apply.

## **Chapter 4 Directors and Supervisor**

- Article 19** The company has three to seven directors and one to two supervisors for a term of three years, who are elected by the shareholders' meeting from among those with capacity for conduct and may be re elected If the directors' tenure has expired and an election fails to take place, their tenure shall be extended until the newly elected directors assume office.
- Article 20** After the public offering, the company may set up independent directors in the above-mentioned number of directors, the number of independent directors shall not be less than two, and shall not be less than one-fifth of the number of directors, and adopt a candidate nomination system, which shall be selected by the shareholders' meeting from the list of candidates for independent directors. The professional qualifications, shareholding, part-time restrictions, nomination and election methods of independent directors and other matters to be observed shall be handled in accordance with the relevant regulations of the competent securities authority.
- Article 21** After the listing (OTC listing) of the company's shares, a candidate nomination system shall be adopted for the election of directors, and relevant matters shall be handled in accordance with laws and regulations.
- Article 22** When the vacancy of directors reaches one-third of the total number, the board of

directors shall convene a shareholders' meeting for by election according to law, and its term of office shall be limited to the time limit for making up the original term.

**Article 23** The board of directors shall be organized by the directors, and shall be attended by more than two-thirds of the directors and approved by more than half of the directors present. One chairman shall be elected from each other to represent the company.

**Article 24** The company may set up functional committees under the board of directors, and the establishment and powers of relevant committees shall be in accordance with the measures prescribed by the competent authority.

**Article 25** After the public offering, this corporation may set up an audit committee in accordance with the provisions of the securities and exchange law. The audit committee shall be composed of all independent directors and shall not be less than three. Matters relating to the number, term of office, functions and powers, rules of procedure, etc. of the audit committee shall be separately prescribed in accordance with the organizational rules of the audit committee in accordance with the relevant provisions of the regulations on the exercise of functions and powers by the audit committee of public companies.

From the date of establishment of the audit committee, the provisions of the articles of association on supervisors shall cease to apply. The term of office of the elected supervisor shall expire on the date of the establishment of the audit committee of the company.

**Article 26** The convening of the board of directors shall specify the reasons and be handled in accordance with Article 204 of the Company Act. After the public offering, the company shall proceed in accordance with the procedures for the meetings of directors of public companies. The meeting of the board of directors shall be convened to all directors by delivery a notice to each director via mail, e-mail, or fax. If we meet the emergency situation, the meeting of the board of directors shall be convened by delivery a notice to each director via mail, e-mail, or fax.

**Article 27** The board of directors shall be convened by the chairman of the board of directors and serve as the chairman, except that the votes obtained by the first board of directors of each session represent the directors with the largest number of voting rights. When the chairman asks for leave or is unable to exercise his functions and

powers for some reason, his agent shall be handled in accordance with Article 208 of the Company Act.

**Article 28** Matters relating to the resolutions of a board of directors 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 director within 20 days after the conclusion of the meeting. The former meeting minutes may be distributed in electronic form.

**Article 29** The company may purchase liability insurance for directors and supervisors with respect to their legal liability for compensation within the scope of their business, and authorize the chairman of the board of directors or the person authorized by him to negotiate the amount and matters of insurance, and report to the board of directors.

**Article 30** A director shall attend the board meeting by himself. If the director is unable to attend the meeting for some reason, he may issue a power of attorney to list the authorized scope of the reasons for the meeting and entrust another director to act on his behalf. A proxy under Preceding Paragraph may accept proxy request from one person only. If a board meeting is conducted by means of video conferencing, directors who participate in the meeting by such means shall be deemed to have attended the meeting in person.

**Article 31** Except as otherwise stated in the Securities in the Company Act, a resolution on a matter at a board of directors meeting requires the approval of a majority of the directors present at the meeting that shall be attended by a majority of all directors.

**Article 32** The remuneration of the directors and supervisors of the company is authorized to be paid by the board of directors according to the degree of participation of the directors and supervisors in the operation of the company, the value of their contributions and the general level of the industry

## **Chapter 5 Managerial Officer**

**Article 33** The Company may have managerial personnel. Appointment and discharge and the remuneration of the managerial personnel shall be decided in accordance with Article 29 of the Company Act.

## **Chapter 6 Accounting**

**Article 34** The fiscal year of the company is from January 1 to December 31 of the national calendar. At the end of each fiscal year, the board of directors shall submit it to the supervisor for examination and issue a report 30 days before the meeting of the regular meeting of shareholders, prepare various statements such as (1) business report (2) financial statements (3) earnings distribution or appropriation for deficits shall be prepared by the Board of Directors and submitted to the regular shareholders' meeting for ratification.

**Article 35** If the company makes profits in the year, it shall allocate not less than 1% (inclusive) as the remuneration of employees, which shall be adopted by the board of directors by a resolution of more than two-thirds of the directors present and approved by more than half of the directors present. The distribution objects include employees of the controlled or subordinate company who meet certain conditions, which shall be determined by the board of directors; The company shall allocate no more than 1% of the above profits as the remuneration of directors and supervisors by resolution of the board of directors. The remuneration of employees and board of supervisors shall be reported to the shareholders' meeting. However, if the company still has accumulated losses, it shall reserve the compensation amount in advance, and then allocate the employee compensation and board compensation in accordance with the proportion of the preceding paragraph.

**Article 36** The remuneration of the employees mentioned in the preceding article shall be distributed in stock or cash, while the remuneration of the board of supervisors shall be distributed in cash only.

**Article 37** If there is any surplus in the company's annual general final accounts, it shall first pay taxes and make up for the accumulated losses according to law, and then withdraw 10% as the legal reserve. However, when the legal reserve has reached the paid in capital of the company, it may not be withdrawn, and the rest shall be appropriated or converted into special surplus reserve according to law or regulations of the competent authority; If there is still surplus and the undistributed surplus is accumulated at the beginning of the same period, the board of directors shall formulate a surplus distribution proposal and submit it to the shareholders' meeting for resolution to distribute dividends or retain them.

**Article 38** The company is in the growth stage, and the dividend policy is distributed in accordance with the principle of stability and balance, taking into account the company's capital expenditure, the needs of operating turnover and the goal of increasing shareholders' investment returns. Therefore, the total amount of shareholders' dividends distributed each year shall not be less than 30% of the total surplus of shareholders' dividends available for distribution. It can be done in the form of stock dividends or cash dividends, but the proportion of cash dividends shall not be less than 10% of the total dividends.

**Article 39** After the public issuance of the company's shares, the dividend distribution referred to in the preceding paragraph authorizes the board of directors to present at least two-thirds of the directors and a resolution of more than half of the directors present to distribute all or part of the dividends and bonuses or the statutory surplus reserve or capital reserve specified in paragraph 1 of article 241 of the Company Act in cash and report to the shareholders' meeting. If it is done by issuing new shares, it shall be distributed after being submitted to the shareholders' meeting for resolution in accordance with the provisions of the Company Act.

## **Chapter 7 Additional Provisions**

**Article 40** Any matters inadequately provided for herein shall be subject to provisions concerned set forth in the Company Act and relevant laws and regulations.

**Article 41** The Company's organizational charter and by-laws shall be enacted by the board of directors.

**Article 42** The memorandum was made on June 23, 2022.

### **Eternal Precision Mechanics Co., Ltd.**

**Initiator** The representative of Eternal Materials Co.,  
Ltd.: Kao, Kuo-Lun



## Eternal Materials Co., Ltd. intends to split and transfer

Relevant business scope of the electrical equipment Task Force of the electronic materials  
business unit:

財務報表項目	金額(新臺幣元)
資產	
應收帳款	14,769,875
應收帳款-關係人	841,980
其他應收款-關係人	52,806,709
預付費用	600,000
固定資產	291,667
存貨	6,785,429
採用權益法之投資-Nikko-Materials Co., Ltd.(註)	476,773,648
資產總額	<u>552,869,308</u>
負債	
應付帳款	427,372
應付帳款-關係人	2,339,638
應付費用	102,298
負債總額	<u>2,869,308</u>
資產負債淨額	<u><u>550,000,000</u></u>
(註)依110/12/31會計師查核簽證之財務報表帳面價值新台幣1,634,651,722元，扣除預計盈餘分配金額。	

## Eternal Materials Co., Ltd.

Expert opinion on the rationality of spin-off share exchange ratio

Xiang Wei United CPA Firm

Wang, Po-Han, CPA

Membership of CPA. No. 5584, FSC Certificate

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city

Telephone (07) 3383103

Recipient: Eternal Materials Co., Ltd.

Theme: Eternal Materials Co., Ltd (hereinafter referred to as Eternal Materials) plans to split the relevant business (including assets, liabilities and business) of the electrical equipment Task Force of electronic material business unit (hereinafter referred to as electrical equipment task force) (including assets, liabilities and business) to Eternal Precision Mechanics Co., Ltd. (hereinafter referred to as Eternal Precision Mechanics Co., Ltd.), a newly established and 100% owned subsidiary of Eternal company, in order to carry out organizational restructuring and professional division of labor in order to improve competitiveness and business performance, It generally undertakes the relevant business of the electrical material and equipment task force of Eternal company, and Eternal Precision Mechanics Co., Ltd. issues new shares to Eternal company as consideration

Explanation:

(I) Calculation of spin-off share exchange ratio

1. The operating value (including assets and liabilities) of Eternal Precision Mechanics Co., Ltd. to be divided is based on the book value of the related assets and liabilities as shown in the financial statements audited and approved by accountants as at December 31, 2021.
2. The book value of assets and liabilities of Eternal Precision Mechanics Company to be partitioned is NT \$552,869,308 and NT \$2,869,308 respectively. The book value of assets and liabilities of Eternal Precision Mechanics Company to be partitioned as of December 31, 2021 is shown in the table below:

Financial statements items	Amount (NT \$)
<u>Assets</u>	
Accounts receivable	14,769,875
Accounts receivable - related parties	841,980
Other receivables - Related parties	52,806,709
Prepaid expenses	600,000
Fix assets	291,667
Inventories	6,785,429
Investment by equity approach	476,773,648

-Nikko-Materials Co., Ltd.	
Total Assets (1)	552,869,308
Financial statements items	Amount (NT \$)
<u>Liabilities</u>	
Accounts payable	427,372
Accounts payable - related parties	2,339,638
Expenses payable	102,298
Total Liabilities (2)	2,869,308
Operating Value [(1)-(2)]	550,000,000

Source of Data Provided by Eternal Materials Co., Ltd.

3. In this potential transaction, Eternal Precision Mechanics Co., Ltd. is scheduled to issue a total of 52,000 thousand ordinary shares to Eternal Materials at par value of 10.57692 yuan per share to accept the relevant business of the division and transfer of Eternal Materials.
4. The adjustment items of shareholders' equity transferred by Division include other equity - conversion adjustment - Nikko Materials Co., Ltd. as the credit of NT\$224,695,108, and other equity - conversion adjustment - Eternal Precision Mechanics Co., Ltd. It is a debit of NT\$224,695,108. After the two accounting subjects offset each other, it has no impact on the business value of the split transfer.

(II) The reasonableness description of spin-off share exchange ratio

Through the new division method, Eternal Materials divides the relevant business, assets and liabilities of its electric equipment task force to Eternal Precision Mechanics Co., Ltd., which is 100% owned by it, and Eternal Precision Mechanics Co., Ltd. issues 52,000 ordinary shares to Eternal Materials as consideration. Therefore, the share exchange ratio of the two parties to the division depends on the evaluation of the division value of Eternal Company and the calculation of the issuance par value of Eternal Precision Mechanics Co., Ltd. It is described as follows:

1. The main purpose of this division is the reorganization of Eternal Materials, not the actual transaction, According to the Letter No.128 regulations on accounting treatment involved in company division issued by the accounting research and development foundation of the Republic of China on June 14, 2002, "when an

enterprise (the transferring company) transfers its business to another company (the transferee company) and obtains the equity issued by it, if the transferring company and the transferee company are originally affiliated companies, the nature is organizational restructuring, so its accounting treatment should be based on the book value of the original assets (if there is impairment of assets, it shall be based on the amount after the loss is recognized) the net amount after deducting liabilities shall be regarded as the cost of obtaining equity, and the exchange benefits shall not be recognized; The transferee company also takes the book value of the original assets and liabilities transferred to the company (if there is asset impairment, it shall be based on the amount after the loss is recognized) as the cost of acquiring assets and liabilities, and takes the net amount of both as the basis. The nominal amount is used as the share capital, and the part exceeding the nominal amount is used as the capital reserve. Therefore, it is reasonable for Eternal Materials to transfer its assets and liabilities to Eternal Precision Mechanics Company at book value.

2. In this potential transaction, Eternal Precision Mechanics Co., Ltd. is expected to issue 52,000 thousand new shares at NT \$ 10.57692 per share, with a representative net value of NT \$ 550,000,000, which is equal to the operating value of relevant assets and liabilities divided by Eternal company of NT \$ 550,000,000; Since Eternal Precision Mechanics Co., Ltd. is a 100% owned subsidiary of Eternal company, and the total net value after the transfer is equal to the operating value, the share exchange ratio of this split is reasonable.

### (III) Conclusion

To sum up, in this potential transaction, the share exchange ratio of the electric equipment task force of Eternal company in this spin-off is based on the book amount of assets and liabilities to be split in the financial statements of Eternal Materials audited and certified by a CPA on December 31, 2021, and with reference to the explanatory letter of the accounting research and development foundation, Eternal Precision Mechanics company issued 52,000 ordinary shares to Eternal company at NT \$ 10.57692 per share as consideration, The share exchange ratio in this case is reasonable; Moreover, since the transferee company Eternal Precision Mechanics Co., Ltd. is a 100% owned subsidiary of Eternal company, this division has no impact on the shareholders' equity of Eternal Materials.

CPA Wang, Po- Han

February 24, 2022

**Independent expert resume description**

**Name:**

Wang, Po-Han, CPA

**Education:**

Master of Business Administration, National Sun Yat-sen  
University

**Experience:**

Director, Hsiang Wei United Accounting Firm

Chairman, Jui Sheng Financial Consulting Co., Ltd.

Independent director Global Transmission Technology  
Co., Ltd.

Independent director Tongtai Machine & Tool Co., Ltd.

Independent director China Ecotek

Supervisor, Chu Shen Energy Co., Ltd.

Director, Chao Wan Consulting Co., Ltd.

## Declaration of the independent expert

The accountant is in accordance with the "standards for handling assets acquired or Disposed of by publicly issued companies" and the relevant laws and regulations, and refer to the The republic of China evaluation Standards bulletin or the professional association of the relevant self-regulation, issued the evaluation opinion, hereby declare as follows:

- I. My opinion and the sources, parameters and information used in the execution of the operation procedure are complete, correct and reasonable, and serve as the basis for issuing this opinion.
2. Before undertaking this case, I have confirmed that I meet the qualifications of item 1 of Article 5 of the "Standards for Handling assets Acquired or Disposed of by Publicly issued Companies" and have carefully evaluated my professional ability and practical experience in accordance with item 1 of Item 2 of the same provisions.
3. At the time of the execution of the case, appropriate operational procedures have been properly planned and implemented to form conclusions and write opinions on the basis of them; And the implementation of the procedures, data collection and conclusions, detailed in the case of the working paper.
4. I and the parties to the transaction in this case are not mutually related or substantially related parties as stipulated in paragraph 2, Paragraph 1 and Paragraph 3 of Article 5 of the "Standards for Handling assets Acquired or Disposed of by Public Offering Companies", and DECLARE that I am not in the following circumstances:
  - (I) I or my spouse are currently employed by the parties to the transaction in this case to do regular work, receive fixed salary or serve as a board member.
  - (II) He/she or his/her spouse has been a member of the board of directors, a manager or a staff member whose position has a significant impact on the case and has been discharged or left office for less than two years.
  - (III) The employer of his/her spouse is a related party to the transaction.
  - (IV) The person who has a spouse or second-class relative relationship with the board of supervisors, managers or staff members who have significant influence on the case.
  - (V) I or my spouse have a significant investment or share a financial interest with the parties to the transaction

CPA

Wang,Po-Han

## **Attachment X**

Proceedings of the 15th Audit Committee of the 2nd Session of Eternal Materials Co., Ltd. (Excerpt version)

Time: March 7, 2022 11:00 a.m 00

Place: Room 102, Building A, 578 Jiangong Road, Sanmin District, Kaohsiung

Chairperson: Convener Luo, Li-Chun

Independent Director: Luo Li-Chun, Hung, Lee-Jung, Chen, Yi-Heng

Non-Voting Participants: Deloitte Taiwan CPA Kuo, Li-Yuan, CPA Wang, Chao-Chun, Manager Chen, Jen-Hao, Head of Accounting Department Su, Hui-Fang, Manager of Audit Office Wang, Yun-Chieh, Minister of Finance Liu, Bing-Cheng, Operating Director of Special Materials Institution Pan, Chin-Chen, Minister of Special Materials Division Chen, Kun-Hsiung and Chuang, Ya-Wen

### **Chapter 1 Announcements: (Omitted)**

### **Chapter 2 Discussions:**

Proposal I - VII (omitted)

Proposal VIII It is proposed to spin off and transfer the relevant business of the electric equipment Task Force of the electronic material business unit, and set up a subsidiary and its spin-off plan. (Proposed by Financial Department)

Explanation:

- I. In order to carry out the organizational adjustment, professional division of labor and future operation development of the Company, it is planned to divide the related business (including assets, liabilities and business) of the electric equipment task force of electronic materials business unit (hereinafter referred to as "electric equipment task force") to a newly established subsidiary-Eternal Precision Mechanics Co., Ltd. (hereinafter referred to as "Eternal Precision Mechanics"), so as to improve the competitiveness and operating performance of the Group and further enhance shareholders' rights and interests. The division base date is tentatively set as October 1, 2022, Republic of China. (hereinafter referred to as "this spin-off application").
- II. The Company intends to divide and assign the related business value of the electric equipment task force, which is estimated to be NT\$ 550,000,000 (temporarily based on the book value of the Company's financial statements audited and certified by a certified public accountant on December 31, 2021, in which the amount of the investment account using the equity method still needs to deduct the expected dividend of the subsidiary company, but the actual amount is still based on the book value of the spin-off base date), and exchange NT\$10.57692 per share for 1 newly issued ordinary share of Eternal Precision Mechanics Co., Ltd. That is an exchange for a total of 52,000 thousand shares.
- III. In accordance with the Merger and Acquisition Law, Company Act and other relevant laws and regulations, the Company has made the "Spin-off Plan" (including the articles of association of Eternal Precision Mechanics Co., Ltd., the book value of assets to be divided, the book value of liabilities, and the expert opinions on the reasonableness of the spin-off and stock exchange



ratio), as shown in the discussion materials of the Audit Committee for details.

- IV. The Company has appointed Wang, Po-Han, a certified public accountant of Hsiang Wei United Accounting Firm to provide opinions on the rationality of the share conversion ratio of the Company, and report the review results to the Board of Directors of the Company. This division case is an organizational adjustment. After spin-off, the newly established company is a 100% owned subsidiary of the Company, and the original shareholders' rights and interests are not affected. Moreover, Eternal Precision Mechanics Co., Ltd. issued 52,000 thousand new shares at NT\$10.57692 per share, which is about equal to the business value of the transferred related assets and liabilities of NT\$550,000 thousand. Therefore, the share conversion ratio in this division case shall be reasonable.
- V. It is proposed that the shareholders' meeting authorize the Board of Directors to fully handle all matters related to this division case on behalf of the Company.
- VI. When the business scope, amount (including assets, liabilities and business), share conversion ratio (if necessary), other related matters (including but not limited to time schedule and division base date) or unfinished matters of the Company's proposed spin-off of electric equipment task force, matters related to the administrative guidance of the competent authority or the formulation of relevant laws and regulations, or changes due to objective circumstances, it is proposed to request the shareholders' meeting to authorize the Board of Directors to handle them with full authority.
- VII. In case of any of the following circumstances, the shareholders' meeting of the Company may agree to authorize the Board of Directors to terminate this division case before the division benchmark date and handle related matters with full authority, but the Board of Directors shall report the following matters on the next shareholders' meeting afterwards: (1) The total amount of shares that all shareholders of the Company who object to this division to buy back is more than 2% of the total issued shares of the Company; (2) The Company failed to obtain the consent of the borrowing bank or most of the joint lending banks for this division according to the loan contract; (3) The Company failed to obtain approval for continued listing in accordance with Article 53-19 of the Operating Rules of Taiwan Stock Exchange Corporation; Or (4) when the economic situation changes and the resolution of the Board of Directors is that it is inappropriate to carry out this division case.

VIII. Please deliberate.

Resolution: After being consulted by the chairman, the motion of independent director without objection was passed.

Cause 9 to Cause 14 (omitted)

**Chapter 3 Questions and Motions: None**

**Chapter 4 Adjournment**

Chairperson Luo, Li-Chun

Record Liu, Bing-Cheng

## Attachment XI

### List of candidates of the 19th directors election

Category	Name of nominee	Education	Experience	Current Post	Shares Held
Director	Kao, Kuo-Lun	University of Southern California Master of Business Administration	Chairman of the Board Co-ceo of the company	Chairman and CEO of the company Convenor of the Corporate Governance and Sustainable Committee of the Company	54,005,856
Director	Kwang Yang Motor Co., Ltd. Representative: Ko, Chun-Ping	Tamkang University Master of Business Administration	Kwang Yang Motor Co., Ltd. CEO	Director of the Company Kwang Yang Motor Co., Ltd. Executive Director, CEO Chairman, KWANG HSING INDUSTRIAL CO., LTD. Chairman, KWANG DAH TRADING CO., LTD Chairman, Kwang Jie Co., Ltd. Director, NEW E MATERIALS CO., LTD. Director, Pro-Ascentek Investment Corporation	124,000,000
Director	Yang, Huai-Kun	Accounting Department, Soochow University	Vice President of the Company	Director of the Company	15,575,900
Director	Kao, Kuo-Hsun	City University of Seattle, USA Master of Business Administration	Chairman, Initial Life Corporation	Director, Chengfu International Investment Co., Ltd	802,752
Director	Chen, Jau-Shiuh	Department of Medicine, National Taiwan University	Attending physician, Dermatology Department, National Taiwan University Hospital Director of Skin Care and Surgery, Department of Dermatology, National Taiwan University General Secretary of Taiwan Dermatology Association Board member of Taiwan Association of Dermatology and Aesthetic Surgery Executive director of Taiwan Medical Laser	Concurrent attending physician, Dermatology Department, National Taiwan University Hospital	1,241,167

			Optoelectronics Society		
Director	Huang, Shun-Ren	Master of Chemistry, National Tsinghua University	Vice president of the company Chief technology officer of the company	None	829,686
Director	Chen, Chin-Yuan	Department of Chemical Engineering, National Taiwan University	Vice president of the company Chief technology officer of the company, COO of business unit of the company	Company Consultant	254,530
Director	Liao, Hen-Ning	Department of Chemical Engineering, National Taiwan University	COO of business unit of the company	Vice president of the company Chief procurement officer of the company	253,392
Independent Director	Hung, Lee-Jung	Accounting Department, National Cheng Kung University	CPA, PwC Taiwan Independent director of the Company Member of the remuneration Committee of the company Convener of the Company's Audit Committee	Independent director of the Company Convener of the company's remuneration committee Member of the Company's Audit Committee Member of the Corporate Governance and Sustainable Committee of the Company Director, Advanced International Multitech Co., Ltd Convener of Audit Committee and Remuneration Committee Independent director of KUEN LING Machinery Refrigerating Co., Ltd. Convener of Audit Committee and Compensation Committee	0
Independent Director	Chen, I-Heng	New York University Doctor of Philosophy in Human Resource Management and Organizational Development	Professor, Institute of Human Resource Management, Sun Yat-Sen University Independent director of the Company Convener of the company's remuneration committee Member of the Company's Audit Committee	Independent director of the Company Member of the remuneration Committee of the company Member of the Company's Audit Committee Member of the Corporate Governance and Sustainable Committee of the Company Professor, Institute of Human Resource Management, Sun Yat-sen University Director of innovation Research Center, Sun Yat-sen University	145,771

				Independent director of KHAM Inc. Convener of remuneration Committee and member of audit Committee of KHAM Inc. Independent Director, Convener of Audit Committee and Remuneration Committee Tigerair Taiwan Co., Ltd	
Independent Director	Lo, Li-Chun	Hong Kong Polytechnic University Doctor of Management	Visiting Associate Professor, Nanyang Business School, Nanyang Technological University, Singapore Chief Executive, Fundwatch Global Financial Research Company Limited Chief Executive, Protrend Management Consulting Co., Ltd. Vice-president, Paradigm Asset Management Co., Ltd. Top executive of investment, Standard Chartered Bank (Taiwan) Limited Manager of corporate service business , Allianz Global Investors Assistant Manager, Capital Investment Consulting Co., Ltd.	Independent director of the Company Member of the remuneration Committee of the company Convener of the Company's Audit Committee Member of the Corporate Governance and Sustainable Committee of the Company Chief Executive, Protrend Management Consulting Co., Ltd.	0
Independent Director	Lu, Gin-Cheng	Master of Law, National Chengchi University	Taiyi International Trademark patent law firm lawyer, patent agent Lawyer, Taiwan International Patent & Law Office Associate lawyer of Lilian International Law firm	Associate lawyer of Huili International Law firm Chairman of BEV International Food Corp. Supervisor of Chun Hsing Industrial Co., Ltd	973

## Appendix I

Eternal Materials Co., Ltd.

### Rules of Procedure for Shareholders' Meetings

Formulated: April 21, 1991

Amended: June 18, 2020

- I. The rules of procedures for the Company's shareholders' meetings, except as otherwise provided by law, regulation, or the Articles of Incorporation, shall be as provided in the Rules.
- II. A shareholder holding 1% or more of the total number of issued shares may submit to this Corporation a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. However, the shareholder proposal is a proposal to urge the Company to promote public interest or fulfill its social responsibilities, and the board of directors must still include the proposal. In addition, when the circumstances of any subparagraph of Paragraph 4, Article 172-1 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 an annual shareholders' meeting is held, the Company shall publicly announce that it will receive shareholder proposals, in written or electronic method, 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 (including characters and punctuation), and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder submitting the proposal shall be present in person or by proxy at the regular shareholders' meeting and take part in the discussion of the proposal.

Prior to the date for issuance of notice of a regular shareholders' meeting, the Company shall inform the shareholders' submitting 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-submitted proposals not included in the meeting agenda.
- III. Shareholders or their proxies (collectively, "shareholders") shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The number of shares in attendance shall be calculated according to the shares indicated by the attendance cards, sign-in cards, or other certificates of attendance handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

- IV. The participation and voting by shareholders shall be duly calculated based on the number of shares they hold.
- V. The venue for a shareholders' meeting shall be the premises of the 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. Registration shall begin at least 30 minutes before the commencement of the meeting.
- The Company shall specify in its shareholders' meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.
- VI. For a shareholders' meeting chaired by the chairperson of the Board, when the chairperson is on leave or for any reason unable to exercise the powers of the chairperson, the chairperson shall appoint a director to act in place of the chairperson. Where the chairperson does not make such a designation, the directors shall select from among themselves one person to serve as the chair.
- VII. The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.
- The staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.
- VIII. The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of a shareholders' meeting. The recorded materials shall be retained for at least 1 year.
- IX. The chairperson shall call the meeting to order at the time scheduled for the meeting. In the event that the meeting is attended by shareholders representing less than half of the total issued shares, the chairperson may announce a postponement of the meeting, however, there may not be more than two postponements in total and the total time accumulated in the postponement(s) shall not exceed one hour.
- If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Paragraph 1, Article 175 of the Company Act. 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.
- X. If a shareholders' meeting is convened by the Board of Directors, the agenda shall be

determined by the Board of Directors. The relevant proposals (including motions and amendment to original proposals) shall be decided by voting on a case-by-case basis. The meeting shall be convened according to the scheduled agenda. The agenda shall not be altered without a resolution adopted at 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 shall 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.

After the meeting is adjourned, the shareholders shall not appoint another chair and continue the meeting either at the same or a different venue.

- XI. 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.

When an attending shareholder is speaking, other shareholders shall 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.

- XII. 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.

- XIII. When a legal person is entrusted to attend the shareholders' meeting, the legal person may designate only one representative to attend.

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.

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

- XV. 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.

XVI. 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 the Company.

Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes or list of the elect and number of votes, shall be announced on-site at the meeting, and a record made of the vote.

XVII. When a meeting is in progress, the chair may announce a break based on time considerations.

XVIII. Except as otherwise provided in the Company Act and in the Company'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.

XIX. When the Company holds a shareholders' 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;

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company two days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail. However, when a declaration is made to cancel an earlier declaration of intent is not subject to the limits.

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 Aurora, by the same means by which the voting rights were exercised, at least 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.

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.

XX. Resolutions of shareholders' meetings shall be recorded in the minutes of meeting. The meeting minutes shall be signed or sealed by the chair of the meeting, and the minutes shall be distributed to each shareholder within 20 days after the meeting. The production and distribution of the meeting minutes may be effected by electronic means.

The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

The meeting minutes shall be recorded in accordance with the year, month, day, venue, name of the chair, resolution method, method of discussion and voting results (including statistical weights). When there are elected Directors, each candidate's votes shall be disclosed. It should be kept permanently during the existence of the Company,

XXI. The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

XXII. These Rules and any amendments hereof shall be put into enforcement after being resolved at the shareholder meeting.

## Appendix II

### Articles of Incorporation of Eternal Materials Co., Ltd.

#### Chapter 1 General Principles

**Article 1** The Company, organized under the Company Act, shall be named 長興材料工業股份有限公司 in Mandarin Chinese, and **Eternal Materials Co., Ltd. in English.**

**Article 2** The scope of the Company's business is as follows:

- (I) C801100 Synthetic Resin and Plastic Manufacturing
- (II) CC01080 Electronics Components Manufacturing
- (III) C802200 Coating, Paint, Dye and Pigment Manufacturing
- (IV) C802120 Industrial and Additive Manufacturing
- (V) C805990 Other Plastic Products Manufacturing
- (VI) C801990 Other chemical materials manufacturing
- (VII) C801020 Petrochemical manufacturing
- (VIII) C801010 Basic Industrial Chemical Manufacturing
- (IX) CF01011 Medical Devices Manufacturing
- (X) F108031 Wholesale of Medical Devices
- (XI) F208031 Retail Sale of Medical Apparatus
- (XII) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

**Article 3** The Company is headquartered in Kaohsiung City and may establish branches at home and abroad when necessary.

**Article 4** The Company may engage in domestic or foreign investment in other companies. The total amount of the Company's investment in other companies is exempted from the prohibition against exceeding 40% of paid-up capital.

**Article 5** The Company may act as a guarantor of affiliates and investee companies.

#### Chapter 2 Shares

**Article 6** The authorized capital of the Company is NT\$18 billion, consisting of 1.8 billion shares of common stock, with a par value of NT\$10 per share. The Board of Directors is authorized to issue the shares in separate installments as required. NT\$0.1 billion, consisting of 10 million shares, with a par value of NT\$10 per share, is reserved for stock warrants, corporate bonds with warrants, and preferred stock with warrants.

**Article 6-1** Shares issued by the Company need not be in a certificate form, but shall be registered with a centralized depository enterprise.

**Article 7** All entries in the shareholders register due to transfer of shares shall be suspended for 60 days prior to a regular shareholders' meeting, or for 30 days prior to an extraordinary shareholders' meeting, or for 5 days prior to the record date fixed for distributing dividends, bonus, or any other benefits.

#### Chapter 3 Shareholders' Meeting

**Article 8** Shareholders' meetings are of two kinds: Regular shareholders' meetings and extraordinary shareholders' meetings. A regular shareholders' meeting is called once every year within six months of the close of a fiscal year. Extraordinary shareholders' meetings may be called in accordance with applicable laws and regulations whenever necessary.

**Article 9** For any shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by using the proxy form issued by the Company and specifying the scope of proxy.

**Article 10** Each shareholder of the Company is entitled to one vote per share, unless otherwise provided by the Company Act and applicable laws or regulations.

**Article 11** Unless otherwise provided by applicable laws or regulations, a resolution of the shareholders' meeting shall be adopted with consent of a majority of the votes represented by those in attendance at the meeting, in person or by proxy, and representing a majority of the total issued shares.

#### **Chapter 4** Board of Directors and Audit Committee

**Article 12** The Company shall have 11 directors of the Board (including 3 independent directors). Starting from the 19th term of the Board of Directors, the Company shall have 12 directors of the Board (including 4 independent directors). The term of office shall be three years and shall be elected by the shareholders from the list of candidates.

The nomination system shall be adopted for the election of directors.

The nomination of directors of the Board shall be processed and announced in accordance with the Company Act and the Securities and Exchange Act. Independent and non-independent directors shall be elected at the same time, but in separately calculated numbers.

The total shares of registered stock held by all Directors shall conform to the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies promulgated by the authority in charge of securities.

**Article 12-1** The Company has established the Audit Committee under the 17th Board of Directors since 2016. The Audit Committee shall consist of all independent directors. The Audit Committee Charter shall be formulated based on the resolution of the Board of Directors.

Since the establishment of the Audit Committee, the regulations of the Company Act, the Securities and Exchange Act, and other laws and regulations relating to supervisors shall apply *mutatis mutandis* to the Audit Committee.

**Article 12-2** The Company may purchase liability insurance for directors of the Board within the term of office.

**Article 13** The Board of Directors shall consist of the directors of the Board of the Company; the chairperson of the Board of Directors shall be elected from among the directors of the Board by a majority of directors of the Board in attendance at a meeting attended by at least two-thirds of the directors of the Board. A vice chairperson may be elected as well in the same way when necessary. The chairperson of the Board of Directors shall represent the Company in external matters. In calling a meeting of the Board of Directors, the Company may notify each director of the Board in writing or by fax or E-mail.

**Article 14** If a director of the Board is unavailable to attend a meeting in person, the director of the Board may authorize another director of the Board to attend the meeting on his/her

behalf. For matters that shall be resolved by the Board of Directors in accordance with Article 14-3 of the Securities and Exchange Act, independent directors may only authorize other independent directors to attend the meeting on their behalf.

**Article 14-1** The Board of Directors shall be authorized to decide on the compensation for the directors of the Board at a rate consistent with the general practices in the industry and based on the participation in and contribution to the Company's operations. The Board of Directors shall also approve the compensation regulations as the basis for payment of compensation.

#### **Chapter 5** Managerial Officer

**Article 15** The Company may appoint several managerial officers, whose commissioning, decommissioning and compensation shall be as pursuant to Article 29 of the Company Act.

#### **Chapter 6** Accounting

**Article 16** After the close of each fiscal year, ①the business report, ②financial statements, and ③proposal for earnings distribution or appropriation for deficits shall be prepared by the Board of Directors and submitted to the regular shareholders' meeting for ratification.

**Article 17** If the Company reports a profit in a year, 4.5%~5.5% of which shall be set aside as compensation for employees, and not more than 1% of which shall be set aside as compensation for directors of the Board. If the Company has accumulated losses, a reserve shall be set aside to offset the losses.

The profit in the current year mentioned in Paragraph 1 shall refer to the profit before tax of the year before deducting the distribution of remuneration paid to employees and to directors.

Compensation for employees may be distributed in a form of stock or cash. The distribution of compensation for employees shall be approved by more than half of the directors of the Board present in the meeting which more than two-thirds of the directors of the Board attend and reported in the shareholders' meeting.

The counterparty to whom stock or cash dividends are distributed to as compensation for employees shall include the employees of the Company's subsidiaries that meet certain conditions.

Except for compensation set forth in Article 14-1, independent directors do not participate in the distribution of compensation for directors of the Board in this article.

**Article 18** The Company shall set aside the following in order before distributing earnings, if any:

- ① Income taxes.
- ② Make up for accumulated deficit.
- ③ Appropriate 10% as legal reserve; where such legal reserve amounts to the total paid-in capital, this provision shall not apply.
- ④ Appropriate or reversal of special reserve according to resolution from the

Shareholders' Meeting or regulations from competent authority.

- ⑤ The distributable earnings shall consist of the balance of earnings plus the undistributed earnings. The Board of Directors shall propose the earnings distribution in the shareholders' meeting for a resolution.

Committed to the sustainable development and sustainable growth, the Company expects to have major expansion plans. Dividends to be distributed to shareholders shall not be less than 30% of the balance of earnings in a year. Cash dividends shall not be less than 10% of total distributable dividends for a year.

## **Chapter 7** Additional Provisions

**Article 19** Any matters not provided for in the Articles of Incorporation shall be handled in accordance with the Company Act and other applicable laws or regulations.

**Article 20** These Articles were enacted on November 17, 1964.

The 1st amendment was made on February 16, 1966.

The 2nd amendment was made on May 1, 1967.

The 3rd amendment was made on December 16, 1967.

The 4th amendment was made on February 6, 1972.

The 5th amendment was made on November 2, 1972.

The 6th amendment was made on November 5, 1973.

The 7th amendment was made on June 6, 1974.

The 8th amendment was made on July 31, 1975.

The 9th amendment was made on August 29, 1976.

The 10th amendment was made on February 10, 1977.

The 11th amendment was made on August 3, 1978.

The 12th amendment was made on December 26, 1979.

The 13th amendment was made on December 28, 1980.

The 14th amendment was made on October 4, 1983.

The 15th amendment was made on July 20, 1984.

The 16th amendment was made on September 2, 1984.

The 17th amendment was made on October 23, 1986.

The 18th amendment was made on February 12, 1987.

The 19th amendment was made on June 25, 1987.

The 20th amendment was made on September 3, 1987.

The 21st amendment was made on January 17, 1988.

The 22nd amendment was made on September 7, 1988.

The 23rd amendment was made on October 12, 1988.

The 24th amendment was made on December 11, 1988.

The 25th amendment was made on April 26, 1990.

The 26th amendment was made on May 20, 1990.

The 27th amendment was made on August 28, 1990.

The 28th amendment was made on April 21, 1991.

The 29th amendment was made on March 4, 1992.

The 30th amendment was made on April 25, 1992.

The 31st amendment was made on July 15, 1992.

The 32nd amendment was made on April 25, 1993.

The 33rd amendment was made on April 25, 1994.

The 34th amendment was made on April 28, 1995.

The 35th amendment was made on May 15, 1996.

The 36th amendment was made on May 15, 1997.  
The 37th amendment was made on April 10, 1998.  
The 38th amendment was made on May 04, 1999.  
The 39th amendment was made on May 10, 2000.  
The 40th amendment was made on May 11, 2001.  
The 41st amendment was made on April 15, 2002.  
The 42nd amendment was made on April 14, 2004.  
The 43rd amendment was made on April 13, 2005.  
The 44th amendment was made on June 9, 2006.  
The 45th amendment was made on May 24, 2007.  
The 46th amendment was made on June 13, 2008.  
The 47th amendment was made on June 15, 2010.  
The 48th amendment was made on June 5, 2012.  
The 49th amendment was made on June 20, 2013.  
The 50th amendment was made on June 11, 2014.  
The 51st amendment was made on June 10, 2015.  
The 52nd amendment was made on June 15, 2016.  
The 53rd amendment was made on June 15, 2017.  
The 54th amendment was made on June 26, 2019.  
The 55th amendment will take place on July 07, 2021.

## Appendix III

### Eternal Materials Co., Ltd.

#### Procedures for Acquisition and Disposal of Assets

Formulate: April 22, 1990

Amended: June 26, 2019

- Article 1** This procedure is designed to protect the company's assets and implement information disclosure.
- Article 2** This procedure is hereby stipulated in accordance with the "Rules for Handling Assets Acquired or Disposed of by Publicly issued Companies" issued by the securities authority.
- Article 3** Scope:
- I. Securities: Including shares, government bonds, corporate bonds, bank debentures, securities that represent fund entitlements, depository receipts, call/put options, beneficiary securities, and asset-backed securities.
  - II. Real estate (including land, building, and investment properties) and equipment.
  - III. Membership.
  - IV. Intangible Assets: Including patents, copyrights, trademarks, licenses and other intangible assets.
  - V. Right-of-use assets.
  - VI. Claims of financial institutions (including receivables, discount of foreign exchange purchases, loans and collection).
  - VII. Derivatives.
  - VIII. Assets acquired or disposed of by legal merger, division, acquisition or transfer of shares.
  - IX. Other important assets.
- Article 4** Definition:
- I. Derivatives: A combination of forward contracts, option contracts, futures contracts, leveraged margin contracts, exchange contracts whose value is derived from a particular interest rate, the price of a financial instrument, commodity prices, exchange rates, price or rate indexes, credit ratings or credit indexes, or other variables, Or embedded derivatives of the combined contracts or structured goods. The term "forward contract" does not include insurance contract, performance contract, after-sales service contract, long-term lease contract and long-term import (sales) contract.
  - II. Assets acquired or disposed of by legal merger, division, acquisition or transfer of shares: Means assets acquired or disposed of as a result of merger, division or acquisition under the Merger and Acquisition Act, the Financial Holding Company Act, the Merger of financial Institutions Act or other laws, or the transfer of other company's shares by issuing new shares pursuant to Item 8 of Article 156 of the Company Act (hereinafter referred to as the transfer of shares).
  - III. Related persons, subsidiaries: It is determined in accordance with the financial reporting standards of securities issuers.
  - IV. Professional valuer: Refer to a real property appraiser or other people duly authorized by law to engage in the value appraisal of real estates and equipment.
  - V. Date of Occurrence: Refer to the date of contract signing, date of payment, date of

consignment trade, date of transfer, and dates of boards of directors resolutions, or another date that can confirm the transaction counterpart or monetary amount, whichever date is earlier. For investments that are subject to the approval of the competent authorities, one of the dates of event referred to above or the date of approval by the competent authorities whichever is earlier or sooner shall prevail.

- VI. Investment in Mainland China: Refer to investments conducted according to the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area issued by the Ministry of Economic Affairs Investment Commission.
- VII. “Latest financial report” mentioned refers to the financial reports certified or reviewed by certified public accountants and published before the acquisition or disposal of the assets.

**Article 5** The amount of non-business real estate and its use-right assets or marketable securities obtained by the Company and its subsidiaries is set out below:

- I. The total amount of real estate and use-right assets invested by the company for non-business use shall not exceed 50% of the net value of the company; The total amount of the immovable property and the assets of the right to use invested by a subsidiary not for business use shall not exceed 30% of its net value. Only the subsidiaries in Japan and the investment-type subsidiaries in mainland China shall not exceed 30% of the net value of the company.
- II. Total investment in long-term and short-term securities:
  - (I) The total amount of securities invested by the company in subsidiaries shall not exceed 150% of the company's net value, and the total amount of investment in securities of non-subsidiaries shall not exceed 50% of the company's net value.
  - (II) The total amount of securities invested by a subsidiary in the company's subsidiaries shall not exceed 120% of the company's net value, and the total amount of securities invested in non-subsidiaries of the company shall not exceed 30% of the company's net value.
- III. Investment limits for individual securities:
  - (I) The amount of the company's investment in the securities of individual subsidiaries shall not exceed 100% of the company's net value, and the amount of investment in individual securities of non-subsidiaries shall not exceed 30% of the company's net value.
  - (II) The amount invested by a subsidiary in the securities of the company's individual subsidiaries shall not exceed 100% of the company's net value, and the amount invested in individual marketable securities of non-subsidiaries of the company shall not exceed 15% of the company's net value.

The “net worth” refers to the equity attributable to the owner of the parent company on the most recent balance sheet certified by an accountant or reviewed by the company in accordance with the financial reporting standards for securities issuers.

**Article 6** In the appraisal report or the opinion of the accountant, lawyer or securities underwriter obtained by the company, the professional appraiser and its appraiser, accountant, lawyer or securities underwriter shall meet the following requirements:

- I. Have not previously received a final and unappeasable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange 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 the completion of service of the sentence, since the expiration of the period of a suspended sentence, or since a pardon was received.

- II. Not a related party or a substantial related party of the transaction counterpart.
- III. If the Company is required to obtain appraisal reports from two or more professional appraisers, the professional appraisers or appraisers may not be related parties or a substantial related party of each other.

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

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. When reviewing audit assignments, they shall plan and implement appropriate operating procedures to draw a conclusion as the basis of producing a report or expressing an opinion; and maintain a full record of the implementation procedures, gathered data, and conclusions in the worksheet.
- III. They shall assess the integrity, correctness and reasonableness of the data sources, parameters and information used on a case-by-case basis as the basis for issuing appraisal reports or written opinions.
- IV. The declaration shall include the professionalism and independence of the relevant personnel, the assessment of the reasonableness and correctness of the information used and the compliance with the relevant laws and regulations.

**Article 7** The acquisition or disposal of assets and derivatives transactions should be approved by the board of directors in accordance with these procedures, the company's authorization measures or other laws and regulations, and should be approved by more than half of all members of the audit committee. If one or more of the directors agree, it may be implemented with the consent of more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors.

All members of the audit committee and all directors referred to in the preceding paragraph shall be counted on the basis of the actual incumbents.

**Article 8** Procedures for Acquisition and Disposal of Real Estate, Equipment or The Right-of-use Thereof:

- I. The procedure for determining transaction conditions and authorization limit:  
When acquiring or disposing of real estate, the execution unit shall decide the transaction conditions and transaction price with reference to the current value of the announcement, the assessed value, and the actual transaction price of the adjacent real estate, and prepare an analysis report and submit it to the chairman of the board. When acquiring or disposing of equipment or its right-to-use assets, it shall Inquiry, price comparison, price negotiation or bidding method shall be selected, and its quota and procedures shall be handled in accordance with the authorization measures of the company and the provisions of Article 7.
- II. Procedure of Evaluation  
In acquiring or disposing of real estate or other equipment or right-of-use assets thereof where the transaction amount reaches 20% of the Company's paid-in-capital or exceeds NT\$300 million, the Company, unless transacting with a government

agency, engaging others to build on the Company's own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof for business use, shall obtain an appraisal report from professional appraisers prior to the date of event and shall further comply with the following provisions:

- (I) If the transaction price is determined by referring to an attributive price, a specific price, or a special price for a good cause, the transaction should be presented to the board of directors for resolution. Any changes in trading conditions thereafter should be handled in the same manner.
- (II) Where the transaction price exceeds NT\$ 1 billion, appraisal reports from two or more professional appraisers shall be required.
- (III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal reports, unless all the appraisal reports for the assets to be acquired are higher than the transaction price, or all the appraisal reports for the assets to be disposed of are lower than the transaction price, a CPA shall be engaged to perform the appraisal in accordance with the provisions of No. 20 of the Statement of Auditing Standards published by the Accounting Research and Development Foundation and render a specific opinion regarding the reason for the discrepancy and the fairness of the transaction price:
  - 1. The discrepancy between an appraisal report and the transaction price reaches 20% or more of the transaction price.
  - 2. The discrepancy between the appraisal reports of two or more professional appraisers reaches 10% or more of the transaction price.
- (IV) The date of the report issued by the professional appraiser and the date of establishment of the contract shall not exceed three months. However, if the current value of the same period of the announcement is applicable and less than six months have passed, the original professional appraiser may issue a written opinion.

**Article 9** Procedures for Acquisition and Disposal of Securities:

- I. The procedures for determining the transaction conditions and authorization limit of the Company's execution unit when it acquires or disposes of securities:
  - (I) market place
    - 1. The purchase and sale of securities on the centralized exchange market or the business premises of a securities firm shall be determined based on market conditions.
    - 2. For securities trading (excluding original subscriptions) not on centralized exchanges or at the business premises of securities firms, consideration should be given to their net value per share, profitability and future development potential.
  - (II) Enforcement units shall obtain or dispose of securities quotas and procedures in accordance with the Company's authorization measures and the provisions of Article 7.
- II. Procedure of Evaluation
  - In acquiring or disposing of securities, firstly, the Company shall obtain the issuing

company's latest financial reports which are certified or reviewed by a certified public accountant for reference in appraising the transaction price, and if in circumstances where the transaction amount reaches 20% of the Company's paid-in-capital or exceeds NT\$300 million, the Company shall engage a certified public accountant to provide an opinion with respect to the reasonableness of the transaction price. If the certified public accountant needs to use the report of an expert as evidence, the certified public accountant shall do so in accordance with the Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation. This requirement shall not apply to publicly quoted prices of an active market or is otherwise regulated by responsible authorities.

**Article 10** Procedures for Acquisition and Disposal of Intangible Assets or The Right-of-use Thereof or Membership:

- I. The procedure for determining transaction conditions and authorization limit:  
When the executive unit of the company acquires or disposes of intangible assets or their right-of-use assets or membership certificates, they should refer to the expert evaluation report or the fair market price, decide the transaction conditions and transaction price, and prepare an analysis report and submit it to the chairman of the board. It shall be handled in accordance with the authorization method of the company and the provisions of Article 7.
- II. Procedure of Evaluation
  - (I) If the transaction amount in which the company obtains or disposes of the membership card exceeds 1% of the paid-in capital or NT\$300 million or more, an expert shall issue an appraisal report.
  - (II) If the transaction amount of the company's acquisition or disposal of intangible assets or right-of-use assets exceeds 10% of the paid-in capital or NT\$300 million or more, an expert should be asked to issue an appraisal report.
  - (III) When the Company's acquisition or disposal of membership, or intangible assets, or the right-of-use thereof exceeds 20% of the Company's paid-in-capital or NT\$ 300 million, unless the transaction is conducted with domestic government bodies, the Company shall engage a certified public accountant to render an opinion on the reasonableness of the transaction price prior to the date of event. The certified public accountant shall handle relevant matters in accordance with the Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation.

**Article 11** When the company and its related parties acquire or dispose of assets, in addition to handling relevant resolution procedures and evaluating the rationality of transaction conditions in accordance with Articles 5 to 10 and the following provisions, if the transaction amount exceeds 10% of the company's total assets, The appraisal report or accountant's opinion issued by a professional appraiser shall also be obtained in accordance with the regulations. In addition, when judging whether the transaction object is a related party, in addition to paying attention to its legal form, the substantive relationship should also be considered:

- I. Procedure of Evaluation and Operating:  
Except for the trading of domestic government bonds or RP/RS bonds, or subscription or redemption of money market funds issued by domestic securities

investment trust enterprises, in acquiring or disposing the real estate or the right-of-use assets thereof from or to a related party, or acquiring or disposing the assets other than real estate or the right-of-use assets thereof from or to a related party, and the transaction amount exceeds 20% of the Company's paid-in-capital, 10% of the Company's total assets, or NT\$300 million, the amount and procedure of the approval shall be in accordance with the procedures set forth in Article 7. The Company may not proceed with the execution of a transaction contract or making any payment before the approval of Board of Directors. When conducting the following transactions between the Company and its subsidiaries, acquire or dispose of equipment, right-of-use thereof, or real estate, by authorizing the Chairman to make decisions within the limits set by the Company's authorization rules and subsequently report to the most recent Board of Directors for ratification:

- (I) The purpose, necessity, and expected benefits of the acquisition or disposal of assets.
- (II) The reasons for selecting the related party as the trading counterpart.
- (III) When acquiring immovable property or its right-of-use assets from a related party, relevant materials for evaluating the reasonableness of the predetermined transaction conditions shall be provided in accordance with subparagraph (1) to (4) of Subparagraph 2.
- (IV) The matters of the related party's original acquisition date and price, counter party, and the relationship with the Company and the related party.
- (V) The monthly cash income and expense forecast within the year from the month of the contract signed; also, the assessment of the necessity of the trade and the reasonableness of the use of funds.
- (VI) A valuation report issued by a professional appraiser obtained in accordance with the preceding paragraph, or an accountant's opinion.
- (VII) The restrictions and other important stipulations of the transaction.

The calculation of the amount of transaction has been approved by the Audit Committee and submitted to the Board of Directors for partial exemption.

For the calculation of 10% of total assets, the total assets stated in the Company's 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.

## II. Assessment of The Reasonableness of Transaction Costs:

- (I) When acquiring real estate or right-of-use assets from a related party, the reasonableness of the transaction cost shall be assessed according to the following methods:
  - 1. The company shall add the necessary capital interest and the cost borne by the buyer according to the relevant party transaction price according to the law. The "interest cost of necessary funds" shall be calculated on the basis of the weighted average interest rate of the borrowings in the year when the company purchased the assets, but it shall not be higher than the maximum borrowing rate of the non-financial industry 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 exceeded 70% of the financial institution's appraised total value of the property and the period of the loan shall have exceeded 1 year. However, it is

not applicable if the financial institution and the counterparty are related to one another.

- (II) For the combined purchase or lease of land and houses of the same subject, the transaction costs may be assessed by one of the methods listed in item (I) for the land and houses respectively.
- (III) The company obtains real estate or right-of-use assets from related parties, evaluates the cost of real estate or right-of-use assets in accordance with items (I) to (II), and should consult an accountant for review and specific opinions.
- (IV) When the company obtains the immovable property or the right-of-use asset from the related party, the evaluation result in accordance with the provisions of items (I) to (II) is lower than the transaction price, it shall proceed according to the provisions of item (V). However, as a result of the following circumstances and with the objective evidence presented and an appraisal report collected from the professional real estate appraiser and a reasonable opinion issued by the CPAs, it is not subject to the limitations:
  - 1. Related party that has obtained prime land or rental land for construction may submit the proof of compliance with any one of the following conditions:
    - (1) If the evaluation is based on the method stipulated in the preceding article, the house shall be based on the construction cost of the related party plus the reasonable construction profit, and the total amount exceeds 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 a 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 to the reasonable price discrepancies in floor area or land prices in accordance with standard property market sale or leasing practices.
  - 2. The company proves that the real estate purchased or leased from a related party has the right to use real estate assets, and the transaction conditions are comparable to other non-related party transaction cases in the adjacent area within one year and the area is similar. In the case of transactions in adjacent areas, the principle is that the same or adjacent street corners are within a radius of 500 meters from the object of the transaction or the current value of the announcement is similar; the area referred to is similar, and the transaction cases of other non-related persons shall be used as the principle. In principle, the area is not less than 50% of the area of the subject matter of the transaction; the term within one year is based on the date of the acquisition of the real estate or the right-to-use asset, which is calculated retrospectively for one year.
- (V) If the company obtains real estate or its right-of-use assets from a related party, if the evaluation results according to items (I) to (IV) are lower than the transaction price, it shall handle the following matters:
  - 1. The Company shall set aside the difference between the transaction price of the real estate or its right-of-use assets and the appraisal cost in accordance with the provisions of Paragraph 1 of Article 41 of the Securities and Exchange Law, and shall not distribute or transfer capital to allotment shares. If an investor whose investment in the company is evaluated by the equity method is a public offering company, it shall also set aside a special surplus reserve in accordance with the provisions of Paragraph 1 of Article 41 of the Securities and Exchange

Act in accordance with the proportion of its shareholding.

2. Independent directors of the audit committee shall supervise the execution of related party transactions, and may investigate the business and financial status of related party transactions at any time, check, transcribe or copy books and documents, and may request the board of directors or managers to issue a report.
  3. The handling of points 1 and 2 should be reported to the shareholders' meeting, and the details of the transaction should be disclosed in the annual report and prospectus.
  4. If the special surplus reserve has been set aside in accordance with the regulations, the assets purchased or leased at a high price should be recognized as a loss in price, or disposed of or terminated, or to be properly compensated or restored to the original state, or if there is other evidence to determine that it is not unreasonable, and approved by the securities company. The special surplus reserve may not be used until the competent authority agrees.
- (VI) In the event any of the following exists when the Company acquires real estate or the right-of-use thereof from a related party, the acquisition shall be conducted in accordance with Paragraph I. but not Item (I) to (III):
1. The related party acquired the real estate or the right-of-use thereof through inheritance or as a gift.
  2. More than five years have elapsed from the time the related party signed the contract to obtain the real estate or the right-of-use assets thereto to the signing date of the transaction.
  3. The real estate is acquired through signing a joint development contract with the related party, or through engaging a related party to build real estate, either on the Company's own land or on rented land.
  4. Acquisition of real estate for business use or right-of-use assets thereto between subsidiaries.
- (VII) If the company obtains immovable property or right-of-use assets from a related party, if there is other evidence that the transaction is not in line with business practices, it shall also proceed in accordance with the provisions of item (V).

**Article 12** The calculation of the transaction amount in the preceding four articles shall be handled in accordance with the provisions of Subparagraph 7 of Paragraph 1 of Article 16.

The term within one year is based on the actual date of the transaction, and is retrospectively calculated for one year. The part of the valuation report or accountant's opinion issued by a professional valuation person who has obtained a professional valuation in accordance with this procedure is not included in the calculation.

For the Company's acquisition or disposal of assets through court auction procedures, the evidentiary documentation issued by the court may be used in place of the appraisal report or CPA opinion.

**Article 13** In principle, the company will not engage in the acquisition or disposal of financial institutions' creditor's rights transaction. If it intends to engage in the acquisition or disposal of financial institutions' creditor's rights transaction, it will submit to the board of Directors for approval before formulating the evaluation and operation procedures.

**Article 14** Procedures for obtaining or disposing of derivative products:

I. Transaction Types

- (I) The company's involvement in derivative products shall be limited to the provisions in Paragraph 1 of Article 4.

- (II) The provisions of this procedure are not applicable to bond transactions with buy-back conditions.
- II. Operating (hedging) Strategy  
The Company shall engage in derivatives trading for the purpose of avoiding risks (including accounting and financial risks) and to the extent of avoiding risks such as foreign exchange income, expenditure, assets or liabilities arising from the company's business operations.
- III. Power and Responsibility Division
- (I) Trading Staff: Designated staff of Finance Department
1. Responsible for the strategy formulation of the whole company's financial commodity trading.
  2. Execute trades according to authorization and established policies.
- (II) Accounting Personnel: Designated Staff of Accounting Department
1. Verify that transactions are conducted in accordance with authorization and established policies. Execute trades according to authorization and established policies.
  2. Accounting processing.
- (III) Delivery Personnel: Designated Staff of Finance Department
1. Execute Check Task.
  2. Execute the Delivery Task.
- IV. Implement the provisions of total trading contract and loss limit
- (I) Total Amount of Contract  
The total amount of accumulated unwritten transactions shall not exceed foreign currency or loans held by the Japanese company.
- (II) The upper limit of contract loss shall not exceed 30% of the contract amount, which is applicable to individual contracts and all contracts.
- (III) During the period of the transaction contract, if any of the following events occur, the Financial Department shall submit a written report within three days to evaluate the measures to reduce losses and submit it to the general Manager and chairman as the basis for decision making on whether to continue the transaction:
1. When there is a significant change in the financial market and the trader decides that the established strategy is no longer applicable.
  2. When the loss reaches the maximum limit specified in this article.
- V. Performance Evaluation
- (I) Exchange Rate: Performance evaluation is based on profit and loss generated by engaging in derivative financial transactions.
- (II) Rate: The assessment is based on interest expense incurred at current or future interest rates.
- (III) In order to fully grasp and express the evaluation risk of the transaction, the company adopts the monthly evaluation method to evaluate the profit and loss.
- VI. Authority to Approve Derivative Products

Identify the right holder	Daily Trading Authority (Note)	Monthly transaction authority (Note)
Top Supervisor of Finance Department	US\$ less than 2 million (inclusive)	US\$ less than 10 million (inclusive)
General Manager	US\$ 2,000,000 - 6,000,000 (inclusive)	US\$ 10 - 25 million (inclusive)
Chairman	US\$ more than 6 million	US\$ more than 25 million

Note: Equivalent in Other Currency

- VII. The Company shall, on a monthly basis, input the information reporting website designated by the securities authority on the 10th day of each month, in accordance with the prescribed format, the trading of derivatives by the Company and its non-domestic publicly issued subsidiaries as of the end of the previous month.
- VIII. If the losses of derivatives trading amount to the upper limit of total or individual contract losses specified in paragraph 4 of this Article, relevant information shall be announced on the website designated by the securities authority within two days from the date of occurrence.
- IX. Risk Management Measure
- (I) Credit Risk Management:  
The transaction object shall be mainly financial institutions with good reputation and able to provide professional information.
  - (II) Market Risk Management:  
Banks are limited to provide access to open foreign exchange trading markets.
  - (III) The Liquidity Risk Management:  
In order to ensure market liquidity, the financial institutions entrusted with the transaction must have adequate information and the ability to trade in any market at any time.
  - (IV) Cash flows Risk Management  
In order to ensure the stability of the company's working capital turnover, the capital source of the company's derivatives trading is limited to its own capital, and the operating amount shall take into account the capital demand predicted by cash receipts and payments.
  - (V) Risk Management Processes  
The company's authorized quota procedures must be followed to avoid operational risks.
  - (VI) Financial Products Risk Management  
Insider traders should have complete and correct expertise in financial products and require banks to fully disclose products risks.
  - (VII) Legal Risk Management:  
Documents signed with financial institutions should be in internationally standardized formats as far as possible to avoid legal risks.
  - (VIII) Trading personnel and operation personnel such as confirmation and delivery shall not concurrently serve each other.
  - (IX) Risk measurement, supervision and control personnel shall be in different departments from those referred to in the preceding paragraph and shall report to the board of directors or to senior executives who are not responsible for trading or position decisions.
  - (X) The Finance Department shall evaluate the positions held on the derivatives exchanges at least once a week and at least twice a month for hedging trades required for business purposes, and shall submit the evaluation report to the senior management designated by the Board of Directors authorized by the Chairman.
- X. Board Supervision and Management
- (I) The board of directors authorizes the senior executives designated by the chairman to pay attention to the supervision and control of derivatives transaction risks at all times. The management principles are as follows:
    1. Periodically assess whether the risk management measures currently in use are appropriate and are in compliance with this procedure.
    2. Supervise the trading and profit and loss situation, take necessary measures when finding any abnormal situation, and report to the board of directors



immediately.

- (II) The board of directors shall periodically evaluate whether the performance of derivatives transactions is consistent with the established business strategy and whether the risks taken are acceptable to the company.
  - (III) Those engaged in derivatives trading authorized by relevant personnel in accordance with this procedure shall report to the latest board of directors afterwards.
- XI. When the finance department of the company is engaged in derivatives transactions, it shall establish a memorandum book and record in detail the types and amounts of derivatives transactions, the date of approval by the board of directors and the matters to be carefully evaluated in Paragraph 9 of this Article in the memorandum book for reference.
- XII. The internal auditors shall know the fairness of the internal control of derivatives trading on a regular basis, and prepare monthly audit reports on the compliance of the trading department with derivatives trading. In case of any significant violations, they shall notify the independent directors of the Audit Committee in writing.

**Article 15** Procedures for dealing with Merger, division, acquisition, or transfer of shares:

I. Procedure of Evaluation and Operating:

- (I) For merger, division, the company acquisition of shares or the transferee shall convene a board of directors, appoint accountants, lawyers or securities underwriters, please share proportion, the purchase price or with the rationality of cash or other property of shareholders said, after the audit committee resolution procedures according to the provisions of article 7 reported to the board. However, a prior expert opinion may not be required for the merger of subsidiaries that directly or indirectly hold 100% of the issued shares or total capital, or of subsidiaries that directly or indirectly hold 100% of the issued shares or total capital.
- (II) The Company shall prepare a public document for shareholders prior to the shareholders' meeting of the important contents of the merger, division or acquisition and relevant matters, and deliver it to shareholders together with the expert opinion of Purpose (1) and the notice of the shareholders' meeting, for reference whether to approve the merger, division or acquisition. However, this restriction shall not apply in the event that a public company is exempt from convening a shareholders' meeting to approve the merger, division, or acquisition under the provision of other laws or regulations. If any participants of the merger, division, or acquisition are unable to convene a shareholder meeting, produce a resolution, or if the motion is voted down by shareholders due to insufficient attendants, minimum votes, or other legal restrictions, the participants of the merger, division, or acquisition shall immediately announce to the public the causes, the subsequent actions, and the proposed date of the next shareholders' meeting.

II. Other matters required to be:

- (I) A company participating in a merger, division or acquisition shall convene a board of directors and shareholders' meeting on the same day to decide on matters related to the merger, division or acquisition, unless otherwise stipulated by other laws or approved by the securities authority in advance due to special factors. Companies participating in share transfer shall hold the board of directors meeting on the same day unless otherwise provided for by other laws or approved by securities authorities in advance due to special factors.
- (II) Every person participating in or privy to the plan for merger, division, acquisition, or transfer of shares shall issue a written agreement 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-based securities of any company related to the plan for merger, division, acquisition, or transfer of shares.
- (III) The share exchange ratio or purchase price shall not be arbitrarily changed except in the following circumstances, which shall be changed as specified in the merger, partition, 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. The action of disposal of major assets that affects a company's financial operations.
  3. The occurrence of major disasters and changes in technology that affects a company's shareholders' equity or securities price.
  4. The adjustment of treasury stock repurchased lawfully by any company participating in the merger, division, acquisition, or transfer of shares.
  5. Changes in the number of entities or companies participating in the merger, division, acquisition, or transfer of shares.
  6. Other terms or conditions that the contract stipulates may be altered and that have been publicly disclosed.
- (IV) The contract of the company participating in the merger, division, acquisition or share transfer shall set forth the rights and obligations of the company participating in the merger, division, acquisition or share transfer. In addition to the items specified in Article 317-1 of the Company Act and Article 22 of the Enterprise Merger and Acquisition Law, it shall also set forth the following items:
1. The handling of a breach of contract
  2. The principles for the handling of equity-based securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
  3. The principles for the handling of the amount treasury stock that the participating is permitted to buy back lawfully after the base date for the calculation of stock swap.
  4. The handling of the occurrence of changes in the number of participating entities or companies.
  5. Preliminary progress schedule for plan execution, and anticipated completion date.
  6. The handling of matters regarding the scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion.
- (V) After public disclosure of the information, if any company participating in the merger, division, acquisition, or share transfer intends further to carry out a merger, division, 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, division, 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.
- (VI) If any company participating in merger, division, acquisition or share transfer is not a publicly issued company, the company shall enter into an agreement with the company and proceed with the agreement in accordance with the provisions of Item (I), (II) and (V).

- (VII) When the Company participates in a merger, division, acquisition or share transfer, it shall make a complete written record of the following information and keep it for five years for checking:
1. Basic information of personnel  
Including the title, name, id card number (or passport number for foreigners) of all persons involved in the merger, partition, acquisition or share transfer plan or the execution of the plan before the announcement.
  2. Dates of material events:  
Including the signing of letters of intent or memorandum of understanding, the retaining of a financial or legal advisor, the execution of a contract, and the convening of a board meeting.
  3. Important documents and meeting minutes:  
Including plans of merger, division, acquisition or transfer of shares, letters of intent or memoranda, important deeds and board minutes.
- (VIII) When the company participates in a merger, division, acquisition or share transfer, it shall, within two days from the date of adoption of the resolution of the board of directors, report the information in Article (VII) in the international network information system to the securities authority for future reference in accordance with the prescribed format.
- (IX) Where a company participating in a merger, division, acquisition or share transfer is a company that is not listed or whose shares are traded at the business premises of a securities firm, the Company shall enter into an agreement with the company and act in accordance with the provisions of subparagraph (VII) and (VIII).

**Article 16** The acquisition or disposal of assets shall be declared by public announcement, and the announcement declaration standards are as follows:

- I. Acquire or dispose of real estate or assets of the right to use from related persons, or acquire or dispose of other assets other than real estate or assets of the right to use from related persons, and the transaction amount is 20 percent of the paid-in capital of the company, 10 percent of the total assets or more than NT \$300 million. But not subject to the trading of domestic government bonds or RP/RS bonds, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- II. Merger, division, acquisition, or transfer of shares.
- III. The loss from trading derivatives is up to the maximum amount of total or individual contract loss specified in this procedure.
- IV. Acquire or dispose of equipment or assets of the right to use for business use, and the transaction object is not related party, and the transaction amount is more than NT \$1 billion.
- V. When real estate is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the transaction counterparts are not related parties, and the proposed amount of the Company's investment exceeds NT\$500 million.
- VI. In asset transactions other than those mentioned in the preceding five paragraphs, financial institutions dispose of creditor's rights or engage in investment in mainland China, and the transaction amount amounts to 20% of the paid-in capital of the

company or more than NT \$300 million. However, the following circumstances are not subject to the restrictions:

- (I) Trading of domestic government bonds.
  - (II) Trading of RP/RS bonds or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- VII. The transaction amount in the preceding six paragraphs shall be calculated as follows, and the year mentioned in the preceding paragraph shall be based on the actual date of the transaction, and shall be calculated retrospectively for one year, which has been exempted from the announcement in accordance with relevant provisions:
- (I) Amount of each transaction
  - (II) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterpart within a year.
  - (III) The cumulative transaction amount of acquisitions or disposals (cumulative acquisitions and disposals, respectively) of real estate or the right-of-use assets thereof in the same development project within a year.
  - (IV) The cumulated amount of the acquisition and disposal (cumulative acquisitions and disposals, respectively) of the same securities within a year.

If the assets acquired or disposed of by the company have items that should be announced and the transaction amount is up to the standards that should be announced and declared, the company shall make public declaration within two days after the fact occurs.

Announcement and declaration procedures shall be handled in accordance with the following provisions:

- I. The announcement and declaration shall be handled on the website designated by the securities authority.
- II. The Company shall, on a monthly basis, make a public announcement and report in accordance with the prescribed format on the 10th day of each month the transactions of derivatives by the Company and its non-domestic publicly issued subsidiaries as of the end of the previous month.
- III. If there are mistakes or omissions in the announcement of the items that should be announced according to the provisions of the company, the company shall re-announce all the items within two days from the date of knowing.
- IV. When the Company acquires or disposes of assets, it shall keep all relevant contracts, meeting minutes, log books, appraisal reports, and opinions of CPAs, lawyers, and securities underwriter at the Company, and retain them for 5 years unless as otherwise provided by the law.
- V. If one of the following circumstances occurs after the transaction is announced in accordance with the relevant provisions, the company shall, within two days after the fact, handle the announcement and declaration on the website designated by the securities authority:
  - (I) The originally signed trade contract is modified, terminated, or revoked.
  - (II) Merger, division, acquisition, or transfer of shares is not completed by the deadline set forth in the contract.

(III) Changes are made to the content of the original public announcement and regulatory filing.

**Article 17** The control over the assets acquired or disposed of by the subsidiaries shall comply with the following provisions:

- I. The subsidiary shall also formulate the "Procedures for disposing of assets acquired or Disposed of" in accordance with the "Guidelines for Disposing of Assets Acquired or Disposed of by Publicly issued Companies" of the local competent authority of the parent company, which shall be submitted to the chairman of the Company for approval and implemented after being approved by the board of directors of the subsidiary, and the same shall apply for amendment.
- II. If a subsidiary is not a domestic publicly issued company and its assets acquired or disposed of meet the declaration standards stipulated in the "Standards for handling assets Acquired or Disposed of by Publicly issued Companies", the Company shall handle the declaration on behalf of the subsidiary.
- III. In the declaration standard of the subsidiary, the stipulation of "up to 20% of the paid-in capital of the company or 10% of the total assets" is based on the paid-in capital or total assets of the company.

**Article 18** If any employee of the Company violates this procedure in obtaining and disposing assets, he/she shall report to the company regularly for assessment according to the company's personnel management rules and employee handbook, and be punished according to the seriousness of his/her circumstances.

**Article 19** This procedure shall be reviewed by the Audit Committee and submitted to the Board of Directors for discussion in accordance with Article 7. The board of Directors shall give full consideration to the opinions of the independent directors and record their objections or reservations in the minutes of the board of directors.

**Article 20** This procedure shall come into force after being approved by the board of directors and submitted to the shareholders' meeting for approval, and the same shall apply if amended; Anything not mentioned herein shall be handled in accordance with relevant internal regulations of the company, unless otherwise stipulated in laws and regulations.

## Appendix IV

Eternal Materials Co., Ltd.  
Rules for Director Elections

Formulate: April 25, 1992

Amended: June 10, 2015

**Article 1** Except as otherwise provided by law and regulation or by Aurora's Articles of Incorporation, elections of directors shall be conducted in accordance with the Rules.

**Article 2** More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.

**Article 3** The qualification and appointment of independent directors of the company shall be handled in accordance with the Securities Exchange Law, Measures for the Establishment and Compliance of Independent directors of Publicly issued Companies, Code of Practice for Corporate Governance of Listed Companies and relevant provisions of the competent authority.

**Article 4** The election of directors shall be conducted by a candidate nomination system in accordance with the articles of association.

When the number of directors falls below five due to the discharge of a director for any reason, the company shall hold a by-election for director at the following shareholders meeting. When the number of directors falls short by one-third of the total number prescribed by the articles of incorporation, the company shall convene a special shareholders meeting within 60 days of the occurrence of that fact for a by-election for director(s).

If the number of independent directors is not enough as stipulated in Item 1 of Article 14 bis of the Securities And Exchange Act, a by-election shall be held at the latest shareholders' meeting; When all independent directors are removed from office, an interim by-election of shareholders shall be held within 60 days from the date of occurrence.

**Article 5** The election of directors of the company shall be conducted by single registered cumulative election method. Each share shall have the same voting power as the number of directors to be elected, and one person may be elected centrally or several persons may be elected separately.

Independent and non-independent directors shall be elected at the same time, but in separately calculated numbers.

**Article 6** Shareholders may elect to exercise their right to vote in the election of directors of the company by either electronic or on-the-spot ballot.

Shareholders who exercise their voting rights by electronic voting in the preceding paragraph shall exercise their voting rights on the electronic voting platform designated by the Company.

The Company shall prepare ballot papers with the same number of directors to be elected, add their weights and distribute them to the members present at the shareholders' meeting. The registered name of the elector may be substituted by the registration card number printed on the electoral ticket.

- Article 7** The number of directors will be as specified in the Company's Articles of Incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.
- Article 8** Prior to the commencement of the election, the Chairman shall appoint supervisors and tellers to perform all relevant functions, provided that the supervisors shall have the status of shareholders. Ballot boxes prepared by our company will be inspected in public by poll supervisors before voting.
- Article 9** In the event that the candidate is a shareholder of the Company, the voters voting for such candidate shall fill in the said candidate's account name and shareholder account number in the candidate column on the ballot. In the event that the candidate is not a shareholder of the Company, the voters voting for such candidate shall fill in the said candidate's name and ID number in the candidate column on the ballot. However, if a government or a shareholder of a legal person is elected, the name of the government or legal person, and the name of the government or legal person as well as the name of their representative, shall be included in the column of the elector of the election ballot; When there are several representatives, the names of the representatives shall be added respectively, but only one name shall be prepared for each electoral ballot.
- Article 10** A ballot is invalid under any of the following circumstances:
- I. Election ballot not prepared by the company.
  - II. A blank ballot is placed in the ballot box.
  - III. Illegible handwriting.
  - IV. Where the candidate voted for is a shareholder of Aurora, such candidate's account name and shareholder account number filled in the ballot is inconsistent with that on the shareholder registry. Where the candidate voted for is not a shareholder of Aurora, such candidate's name or ID number is verified to be incorrect.
  - V. In addition to filling in the household name of the electee or the household number of the shareholder (identification document number), other words are inserted, except in accordance with the provisions of Article 9.
  - VI. The person who lists two or more electors on the same electoral ballot.
  - VII. The person who has not entered the name of the elector or the number of the shareholder.
- Article 11** After all the votes are counted, the chairman or his designee shall announce the list of directors elected on the spot.
- Article 12** The Rules shall be implemented after having been approved by a shareholders' meeting. Subsequent amendments thereto shall be effected in the same manner.

## Appendix V

### Shareholding of Directors

Position	Name	Book Closure Date for the Shareholder's Meeting April 25, 2022
Chairman (Note 1)	Kao, Kuo-Lun	54,005,856
Vice Chairman (Note 1)	Hsieh, Chin-Kun	722,595
Director of the Board (Note 1)	Kwang Yang Motor Co., Ltd.	124,000,000
	Representative: Ko, Chun-Ping	0
Director of the Board (Note 1)	Kao, Ying-Chih	19,251,560
Director of the Board (Note 1)	Yang, Huai-Kun	15,575,900
Director of the Board (Note 1)	Shiao, Tzu-Fei	558,416
Director of the Board (Note 1)	Yen, Shu-Fen	299,235
Excluding the number of shares held by all independent directors	Total	214,413,562
Independent Director (Note 1)	Hung, Lee-Jung	0
Independent Director (Note 1)	Luo Li-Chun	0
Independent Director (Note 2)	Chen, Yi-Heng	145,771
All directors	Total	214,559,333

Note 1. Date Elected: June 26, 2019

Note 2. Date Elected: June 18, 2020

The Company's paid-in capital was NT\$12,402,794,550, with 1,240,279,455 shares.

Statutory minimum number of shares held by all directors of the Board: 32,000,000 (Note 3)

Note 3. According to Paragraph 2, Article 2 of the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, if a public company has elected two or more independent directors, the share ownership figures calculated at the rates set forth in the preceding paragraph for all directors other than the independent directors and shall be decreased by 80%.

Statutory minimum number of shares held by all supervisors: N/A

The shareholding of all directors of the Board conformed to the ratio set forth in the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies.



## **Appendix VI**

### Other Instructions

Proposals submitted by shareholders were processed as follows:

1. According to Article 172-1 of the Company Act, shareholder holding 1% of the total number of issued shares or more may submit to the Company a written proposal for discussion at a regular shareholders' meeting. Such proposals, however, are limited to one item only. Shareholder-submitted proposals are limited to 300 words.
2. Shareholder proposals must be submitted during the period from April 18, 2022 to 5 p.m. on April 28, 2022. As required by law, the Company has published the information regarding shareholder proposals on the MOPS website.
3. As of the deadline, the Company has not received any proposals from shareholders.