

# **FORMOSA CHEMICALS & FIBRE CORPORATION**

**2022 ANNUAL SHAREHOLDERS' MEETING**

**MEETING HANDBOOK**

**(Summary)**

(This English translation is prepared in accordance with the Chinese version and is for reference purposes only. If there are any inconsistency between the Chinese original and this translation, the Chinese version shall prevail.)

**JUNE 8, 2022**

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# **FORMOSA CHEMICALS & FIBRE CORPORATION**

## **2022 ANNUAL SHAREHOLDERS' MEETING PROCEDURE**

1. Call Meeting to Order
2. Chairman's Address
3. Report Items
4. Ratification Items
5. Discussion Items
6. Extraordinary Motions
7. Meeting Adjourned

# FORMOSA CHEMICALS & FIBRE CORPORATION 2022 ANNUAL SHAREHOLDERS' MEETING AGENDA

Time: 10:00 a.m., Wednesday , June 8, 2022

Venue: Sunworld Dynasty Hotel  
(No. 100 Dun Hua North Road, Taipei, Taiwan)

## 1. Report Items

- (1) 2021 Business Report
- (2) Audit Committee' Review Report on the 2021 Financial Statements
- (3) Distribution of 2021 Employees Compensation
- (4) The Issuance of 2021 Domestic Unsecured Ordinary Corporate Bond

## 2. Ratification Items

- (1) Please approve the 2021 Business Report and Financial Statements as required by the Company Act.
- (2) Please approve the Proposal for Distribution of 2021 Profits as required by the Company Act.

## 3. Discussion Items

- (1) Amendment of the Articles of Incorporation of the Company.
- (2) Amendment of the Company's "Procedures for Acquisition or Disposal of Assets ". Please discuss and resolve.

## **Report Items**

1. About the Company's business operation condition of 2021, please refer to Business Report for further details (on page 5 of the Handbook.)
2. The Company's Audit Committee members reviewed the 2021 Business Report and Financial Statements and issued their Review Report according to the applicable laws. Please refer to Audit Committee's Review Report (on page 12 of the Handbook.)
3. The company has issued the report on compensation distributed to its employees for 2021.

The pre-tax profit prior to deducting employees' compensation distributable for 2021 is NT\$41,705,337,338. The company has no accumulated losses. Adopted by the Board Meeting on March 9, 2022, 0.1% of the profit is allocated as employees' compensation in accordance with Article 31 of the Articles of Incorporation. The total allocated amount is NT\$41,705,337, which shall be distributed in cash. The above is hereby reported for record.

4. Status Report of NT\$10 Billion Domestic Unsecured Ordinary Corporate Bonds Issuance by the Company in 2021.

To raise long-term funds to pay off debts, the Board of Directors approved the issuance of NT\$20 billion domestic unsecured ordinary corporate bonds at the December 11, 2020 meeting. The above-mentioned corporate bonds were successfully issued on May 10, 2021 and were divided into Tranche A and Tranche B with different terms and conditions.

- (1) Terms and conditions of Tranche A are as follows:

Amount of Issuance: NT\$6 billion

Interest Rate: Fixed interest rate at 0.48% per annum

Tenor: 5 years

Interest Payment: Once a year (simple interest)

Principal Repayment: 50% at the end of the fourth year and 50% at the end of the fifth year.

(2) Terms and conditions of Tranche B are as follows:

Amount of Issuance: NT\$4 billion

Interest Rate: Fixed interest rate at 0.56% per annum

Tenor: 7 years

Interest Payment: Once a year (simple interest)

Principal Repayment: 50% at the end of the sixth year and 50% at the end of the seventh year.

(3) To consider the operating conditions are stable and the actual need, the rest of unissued bonds of NT\$10 Billion was not applied for Taipei Exchange. The above is hereby reported for record.

# **FORMOSA CHEMICALS & FIBRE CORPORATION**

## **Annual Report of 2021**

### **1. 2021 Business Report:**

With the easing of the COVID-19 pandemic in 2021 and thanks to the stimulus policy adopted by governments around the world, demand on the market returned and accordingly the global economic recovery continued. The rising oil prices internationally also drove prices of petrochemical products. With the joint efforts from everyone, the Company's operations have returned to be comparable to the pre-pandemic level. The consolidated revenue came to NT\$365.8 billion in 2021, an increase of NT\$112.5 billion and 44.4% from that in 2020, which was NT\$253.3 billion mainly because of the easing pandemic in 2021 and the reduced supply on the market as a result of abnormal weathers suffered in countries around the world and frequent glitches reported by counterparts. Oil prices and selling prices of petrochemical and plastic products surged compared to those in 2020, which contributed to an increase of NT\$92.5 billion in selling prices. As for the quantities sold, the growing demand on the market contributed to increases in the sales of most products compared to those in 2020, except for PP and PS that were under service and acetone as a result of reduced demand in pandemic prevention. Plus, the expansion in the throughput of Ningbo phenolic ketone and PIA that has been completed one after another, the sales climbed by NT\$20 billion.

In terms of profit, the consolidated pre-tax profit totaled NT\$50.2 billion in 2021, an increase of NT\$25.4 billion and 102.5% from that in 2020, which was NT\$24.8 billion mainly because of the post-pandemic economic recovery around the world. The recurrent nature of the pandemic, however, resulted in an imbalance in international trade order and the supply chain. Prices for the first half of the year rose because of flourishing demand yet the demand on the market gradually flattened following the rebound for the second half of the year. The fluctuating prices of raw materials and products slowly narrowed the processing spread. Nevertheless, the annual business profit grew 124.7% from 2020, with an increase worth NT\$19.1 billion and the equity investment income and cash dividends increased NT\$6.8 billion in total.

For 2021, despite the persistent impacts of the recurrent and unstable COVID-19 pandemic on the global economy, with the economic recoveries in Europe and America

and the consumption stimulus policy adopted by governments around the world, the demand for oil consumption grew. The West Texas crude oil WTI climbed all the way from less than US\$50 per barrel in the beginning of the year to over US\$75 per barrel at the end of the year. By the same token, naphtha rose 53.6%. In the beginning of the year, ice storms in Texas and glitches reported by counterparts were frequent, which even led to skyrocketing prices of certain petrochemical products and unprecedented selling prices of benzene, ABS, and PP. Comparable rises occurred for the other petrochemical and plastic products as well. The Company was optimally profitable for the first half of the year. For the second half of the year, however, the shortage in cabins and containers remained; the stress in the shipping industry led to soaring shipping costs; the supply chain was caught in obstruction; prices of energies skyrocketed; the energy consumption and intensity dual control system was enforced in Mainland China due to intensive power consumption; and new throughput was commissioned. As a result, despite the fluctuating high prices of crude oil, with gradually sliding prices of both petrochemical and plastic products, the market turned conservative and the Company's revenue and profitability slowed down, too. Nevertheless, production, distribution, and profitability continued to grow comparably throughout the year. The cage change program for higher value was fruitful, too.

As part of the consolidated revenue in 2021, the parent company's net revenue was NT\$187.4 billion, accounting for 51.2% of the consolidated revenue. Subsidiaries that contributed to the revenue included Formosa Industries Corporation in Ningbo, Formosa Industries Corporation in Vietnam, and Formosa Taffeta Co., Ltd., totaling NT\$178.4 billion accounting for 48.8% of the consolidated revenue. Main contributors to the parent company's revenue are petrochemical and plastic products. Both combined had a net worth of NT\$174.7 billion, accounting for 93.2% of the parent company's revenue. Among them, petrochemical products totaled NT\$108.4 billion or 57.8% and plastic products NT\$66.3 billion or 35.4%.

Operational highlights of respective major products throughout 2021 included all-around production of the Company to be expanded reflective of market demand under the premise that safety production is ensured and continued promotion of water and energy conservation and reduced consumption and emissions to improve the circular economy as well as proactive initiation of AI-driven production in order to further



enhance quality of products and reduce the costs in addition to maximized high value-oriented developments and keeping track of new business opportunities that contribute to profitability.

In terms of petrochemical products, multiple energy improvement projects such as thermal integration, addition of heat separator to the heterogeneous unit, and replacement with the new-generation transalkylation and heterogeneous catalysts were completed for the second and third aromatic hydrocarbon plants to significantly reduce energy consumption. Water-saving and energy-conserving improvements including multiple effect distillation (MED) were completed for the SM plant in Mailiao. In addition, the de-bottleneck improvement project began in 2020 for the Ningbo phenol plant in Mainland China. The annual throughput of phenol is increased from 300 thousand tons to 400 thousand tons and that of acetone from 185 thousand tons to 247 thousand tons to effectively enhance the operational performance and increase profits. Although the supply of PTA increased because of the devotion of additional throughput in Mainland China, product spread continued to drop. Due to the low energy consumption, optimal quality, and steady lead time of Ningbo PTA that are highly trusted by customers, however, production on full throughput was maintained throughout the year. The output of production lines in Taiwan, on the other hand, was adjusted accordingly reflective of the distribution and efforts continued to be devoted to the optimization of processes in respective plants so as to bring down the processing cost. The new production line of PIA in Ningbo that has an annual throughput of 200 thousand tons was commissioned on May 17, 2021. Continuous efforts will be devoted to exploring potential new customers of bottle chips, low melting point cotton, and coatings on the local market. Plus, the existing throughput in Taiwan, it will hopefully further increase the presence of the Company's PIA on the global market.

As far as plastic products are concerned, thanks to the economic recoveries in Europe and America because of the easing pandemic, the demand for raw materials and supplies in bulks returned globally in 2021. Customers were more willing to make purchases. The ice storm in Texas in February also pushed up prices of petrochemical products. Purchase orders for exports to Mainland China continued to grow, too. Sales of plastic particles were optimal. The spread significantly expanded as well. Both the plant in Taiwan and that in Ningbo made unprecedented profits. The Company

continued with the cage change program for the sustainability of plastic products in 2021 by promoting high-value products and market diversification. High-value PS/ABS products exceeded 45%, PP 50%, and PC only 25% and pending further efforts. In terms of market diversification, on the other hand, most accomplishments were achieved for PP products. The market share in Mainland China already dropped to 33%.

As far as textile and fiber products are concerned, despite the demand impacted by the pandemic in Taiwan and Vietnam and other unfavorable factors such as the three on-the-spot policy implemented in Vietnam and the price-cutting competition among textile products to be exported of Mainland China, business operation remained steady with optimal profits in 2021 with early preparations and proactive control over business opportunities plus the obviously improved operations for nylon and textile products after restructuring and implementation of the policy to keep what is valuable and reject what is worthless and powerful promotion of high value, environmental protection, and recycling. Among the textiles, the throughput was adjusted and maximized for natural cotton yarn and the sales of high-value yarn grew 112%. Profits made by the plant in Taiwan and that in Vietnam were the highest over the past 10 years.

Sustainable business development has always been a focus for the management and ESG (environmental protection, social responsibility, and corporate governance) tasks have been paramount in the Company's operations over the years.

For improved industrial safety, the Company formed the Sustainable Safety Mechanism Group in 2019 that enforces the people-centered safety strategy, discovers safety management blind spots at a depth to eliminate potential risks, and communicates to employees to reinforce their safety awareness and boost safety in the workplace. In 2021, the Company was honored by the "Sustainable Safety Mechanism Group" Award and the "Excellent Occupational Safety and Health Institution" Award. In 2022, the promotion will be continued from scratch for comprehensive improvements. Outstanding cases will be released on a quarterly basis of PHA, ISA/SOP, MOC, and false alarms to fulfill the experience-sharing purpose and educational training for contractors and employees will continue to be enforced; equipment MI will be enhanced; and employees' safety cultural thoughts will be changed while working towards zero hazards.

In addition, to cope with the extreme changes to the operational environment

brought about by the digital technology and the industrial setting, the Digital and Energy Transformation Project Team was formed in December 2021 to take charge of digital and energy transformation efforts throughout the Company. Digital transformation mainly includes: Digitalization, optimization, and AI application in four aspects, namely, smart operation, operational dynamics management, smart care, and factory and process safety. Energy transformation mainly includes: Continued efforts in the promotion of water and energy conservation, establishment of coal reduction and energy transformation strategies, development of solar power, and clean energy technologies such as small water power and wind power generation as well as enrollment in the Science Based Targets Initiative (SBTi) and the Task Force on Climate-related Financial Disclosures (TCFD) in order to be on a par with international climate change-related initiatives and to answer to the global carbon reduction trend. Over the years, energy conservation and carbon reduction accomplishments accumulatively totaled NTD \$11.32 billion, with 5,585 engineering improvement projects completed, saving a total of 69,500 tons of water per day, 1,210 tons of steam per hour, and 119 thousand kWh of electricity per hour.

As investments by the Company continued, the new throughput of 200 thousand tons per year in the Ningbo facility for PIA was commissioned in May 2021. The annual throughput of composite materials of the three plants across the Taiwan Strait under the Plastics Department combined reached 132 thousand tons. In early 2022, the scope of operation also covered recycling of plastics while transformation continued. In addition, the throughput of the ABS plant in Ningbo will continue to be expanded by 250 thousand tons in 2022 and the process for an annual output of 1.5 million tons will be added to the PTA plant in Ningbo in 2023. The most advanced production technologies will be adopted to be unparalleled in the industry.

## **2. Operating Status:**

The consolidated operating revenue was NT\$365.81 billion in 2021, an increase of NT\$112.52 billion than NT\$253.29 billion in 2020. Deducted operating costs NT\$312.37 billion and selling expenses and administrative expenses NT\$19.06 billion, the operating income was NT\$34.43 billion in 2021 with an 9.4% of operating margin which increased NT\$19.11 billion compared with NT\$15.32 billion in 2020. Added up

non-operating income and expenses NT\$ 15.73 billion, the pre-tax income of 2021 was NT\$50.16 billion, which increased NT\$25.39 billion with an increase of 102.5% compared with NT\$24.77 billion in 2020.

### **3. 2022 Business Performance Target and Outlook:**

2022 will still be a year of major challenges brought about by the collection of carbon tax, the international political and economic situation, the recurrent nature of the pandemic, the persistent supply chain issue and continuously climbing inflation pressure as a result of the port backlog and the shortage in cabins and containers, and the interest rate rising cycle in Europe and America. The many uncertainties are pegged with subsequent economic change globally. Plus, the rising cost of energy and the excessive investments in and commissioning of new petrochemical and plastic throughputs in Mainland China that will lead to customers remaining conservative, the Company is faced with even greater challenges in its business operation than those in 2021. If the pandemic grows towards lighter symptoms and influenza-oriented; therapeutic drugs become available; and the world can cope with the virus, with reduced pandemic control measures, gradually resumed economic activities, and gradually normalized supply chain, port backlog caused by insufficient manpower resolved, a decline in the shipping cost, lessened cost, and improved purchasing power, the new throughputs will contribute to gradual yet expedited digestion and it will help with the Company's operation and development of business opportunities.

The Company will stay firm in coping with the operational stress in 2022. Besides continuing with the circular economy and energy conservation/emission reduction and keeping only the best under its production and distribution structure, the promotion of smart plants with the introduction of AI will be continued for enhanced production and management efficiency. In light of the fact that carbon neutralization has become a world issue, the Company defined its goals and enforced them last year, with an ultimate goal of comprehensive carbon neutralization by 2050. The phased goals were already disclosed during the 2021 General Shareholders' Meeting. The carbon emissions would be reduced by 15% by 2030 compared to 2020. The detailed plans and schedules prepared by respective departments will realize a reduction of 18.6%. The emission reduction plan, in particular, includes improvement in energy conservation, fuel

transformation, energy conversion, development of green renewable energies, and CO2 recycling.

In 2021, the Company already laid the groundwork for the development of green products, such as nylon scraps and recycled fishing nets. For the time being, the goal of 500 tons a month has been fulfilled. Meanwhile, the circulatory recycling mechanism is in place through collaboration with downstream service suppliers to live up to the theme: "We Produce, We Recycle". This year's goal will be 1,250 tons a month so that the recycled caprolactam accounts for 12% of the total amount consumed. Meanwhile, the Company works with plastics recycling businesses and holds shares in them to hopefully ensure sources of plastics to be recycled, to secure the production of value green materials, and to create an accountable and sustainable operational environment, answering to sustainable development trend and goal under global climate change.

# **FORMOSA CHEMICALS & FIBRE CORPORATION**

## **Audit Committee' Review Report**

The Board of Directors has prepared the Company's 2021 Business Report, Financial Statements and Proposal for Profits Distribution. The CPA firm of PWC was retained to audit Formosa Chemicals & Fibre Corporation's Financial Statements and has issued an audit report relating to Financial Statements. The Business Report, Financial Statements, and Proposal for Profits Distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of Formosa Chemicals & Fibre Corporation. According to the Securities and Exchange Act and the Company Act, we hereby submit this report. Please be advised accordingly.

Formosa Chemicals & Fibre Corporation  
Chairman of the Audit Committee:

Ruey-Long Chen

March 9, 2022

## **Ratification Items Proposal 1**

**Proposal:** For approval of the 2021 Business Report and Financial Statements as required by the Company Act.

Proposed by the Board of Directors

**Explanation:**

1. The preparation of the Company's 2021 Consolidated and Individual Financial Statements were completed. The aforementioned Financial Statements were reviewed by the Audit Committee and approved by the Board Meeting on March 9, 2022 and audited by independent auditors, Mr. Han-Chi, Wu and Mr. Chien-Hung Chou , of PWC. The aforesaid Financial Statements together with the Business Report were reviewed by the Audit Committee, which the Audit Committee' Review Report is presented.
2. For the aforementioned Business Report, please refer to page 5 through page 11 of the Meeting Handbook. As for the Financial Statements, please refer to page 29 through page 42 of the Handbook. Please approve the Business Report and the Financial Statements.

**Resolution:**

## **Ratification Items Proposal 2**

**Proposal:** For Approval of the Proposal for Distribution of 2021 Profits as required by the Company Act.

Proposed by the Board of Directors

**Explanation:**

Please refer to page 43 of the Handbook for the Statement of Profits Distribution, which has been reviewed by the Audit Committee members of Formosa Chemicals & Fibre Corporation and approved by the Board of Directors on March 9, 2022. Please approve the Statement of Profits Distribution.

**Resolution:**



## Discussion Items Proposal 1

**Proposal:** Amendment to the Articles of Incorporation of the Company.  
Please discuss and resolve.

Proposed by the Board of Directors

### Explanation :

To conform to the needs of commercial practice, certain Articles of Incorporation of the Company have been amended. The comparison table for articles before and after amendment is hereby attached. Please determine whether the amendments are reasonable.

Article	Current Article	Amended Article	Reason for Amendment
Article 2	The scope of business of the Company shall be as follows: (Items 1 to 37 omitted) 38.ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.	The scope of business of the Company shall be as follows: (Items 1 to 37 omitted) 38.IG03010Energy Technical Services. 39.ZZ99999All business items that are not prohibited or restricted by law, except those that are subject to special approval.	To conform to the needs of the renewable energy policy and practical development, the Company add the business item.
Article 18	The Board shall consist of <u>eleven</u> to fifteen directors. The election of directors will be made by nomination. Shareholders may elect the directors from the candidates list. <u>The total registered shares held by the directors shall not be less than a certain quorum of the company's total shares. The calculation of quorum shall conform to the method instructed by the competent authority.</u> The Board shall consist	The Board shall consist of <u>nine</u> to fifteen directors. The election of directors will be made by nomination. Shareholders may elect the directors from the candidates list. The Board shall consist <u>at least</u> three independent directors, which are nominated and elected under Company Act and related regulations from security regulatory authority. (below omitted)	To conform to the needs of commercial practice, the Company proposes to adjust the number of directors to increase flexibility and delete the regulation about the registered shares held by the directors.

Article	Current Article	Amended Article	Reason for Amendment
	three independent directors, which are nominated and elected under Company Act and related regulations from security regulatory authority. (below omitted)		
Article 21	<p>The directors shall elect at least three from among themselves but not more than one third of all the directors to serve as the executive directors, including one independent director. The executive directors shall elect one of them to become the Chairman of the Board and another person to be the Vice Chairman.</p> <p>The Chairman acts on behalf of the Company externally. When the Chairman is on leave or unable to exercise authority, the Vice Chairman will act by proxy. When both the Chairman and the Vice Chairmen are on leave or unable to exercise authority, one of the executive directors will act by proxy under the nomination by the Chairman. (below omitted)</p>	<p>The directors shall elect at least three from among themselves but not more than one third of all the directors to serve as the executive directors, including one independent director, <u>by a majority vote at a meeting of the Board of Directors attended by over two-thirds of the directors.</u> The executive directors shall elect one of them to become the Chairman of the Board and <u>may elect</u> another person to be the Vice Chairman <u>in accordance with the same manner set forth in the preceding Paragraph.</u></p> <p>The Chairman acts on behalf of the Company externally. When the Chairman is on leave or unable to exercise authority, the Vice Chairman will act by proxy. When both the Chairman and the Vice Chairmen are on leave or unable to exercise authority, one of the executive directors will act by proxy under the nomination by the Chairman. (below omitted)</p>	To add the executive director election process, and the election of the Vice Chairman so as to conform to the needs of commercial practice

Article	Current Article	Amended Article	Reason for Amendment
Article 32	If there are any earnings after final account settlement, the Company shall pay off the applicable taxes, compensate the accrued deficit and retain 10% as legal reserve and an additional amount as special reserve before distributing dividends. If there are any remaining earnings of such year, the Board may, combining the undistributed earnings of previous years, propose a shareholder bonus plan and <u>submit for the approval in a general shareholders meeting.</u> (below omitted)	If there are any earnings after final account settlement, the Company shall pay off the applicable taxes, compensate the accrued deficit and retain 10% as legal reserve and an additional amount as special reserve before distributing dividends. If there are any remaining earnings of such year, the Board may, combining the undistributed earnings of previous years, propose a shareholder bonus plan, and <u>is authorized to distribute dividends paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by over two-thirds of the directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. The dividends paid in stock shall be submitted for the approval in a shareholders' meeting</u> (below omitted)	To conform to the needs of commercial practice, the Company proposes to amend the procedure of cash dividend distribution in compliance with Company Act
Article 34	(Omitted)	Add " <u>fifty-second amendment on June 8, 2022</u> " to the existing Article.	To amend the above articles, the Company encloses the date of the 52th amendment.

## Resolution:

## Discussion Items      Proposal 2

**Proposal:** Amendment to Procedures for Acquisition or Disposal of Assets of the Company. Please discuss and resolve.

Proposed by the Board of Directors

### Explanation :

To comply with the requirements provided in the order Jin-Guan-Zheng-Fa-Zi No. 1110380465 dated January 28, 2022 by the Financial Supervisory Commission, certain articles of Procedures for Acquisition or Disposal of Assets of the Company have been amended. The comparison table for articles before and after amendment is hereby attached. Please determine whether the amendments are reasonable.

Article	Current Article	Amended Article	Reason for Amendment
Article 7	In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government institution, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:	In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government institution, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:	Amended to comply with the order Jin-Guan-Zheng-Fa-Zi No. 1110380465 dated January 28, 2022 by the Financial Supervisory Commission.

Article	Current Article	Amended Article	Reason for Amendment
	<p>1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be proposed for approval in advance by the Board of Directors; the same procedure shall also be followed for any subsequent changes to the terms and conditions of the transaction.</p> <p>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal <u>in accordance</u></p>	<p>1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be proposed for approval in advance by the Board of Directors; the same procedure shall also be followed for any subsequent changes to the terms and conditions of the transaction.</p> <p>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal and render a</p>	

Article	Current Article	Amended Article	Reason for Amendment
	<p><u>with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation of Republic of China (ARDF)</u> and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>(2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be</p>	<p>specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>(2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the</p>	

Article	Current Article	Amended Article	Reason for Amendment
	issued by the original professional appraiser.	original professional appraiser.	
Article 8	<p>The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. <u>If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u> This requirement does not apply, however, to publicly quoted prices of securities that have an active market,</p>	<p>The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the securities competent authority.</p>	Amended to comply with the order Jin-Guan-Zheng-Fa-Zi No. 1110380465 dated January 28, 2022 by the Financial Supervisory Commission.

Article	Current Article	Amended Article	Reason for Amendment
	or where otherwise provided by regulations of the securities competent authority.		
Article 9	In acquiring or disposing of intangible assets or right-of-use assets thereof or membership cards where the transaction amount reaches 20 percent or more of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government institution, shall obtain a CPA's opinion on the reasonableness of the transaction price prior to the date of occurrence of the event. <u>The CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation.</u>	In acquiring or disposing of intangible assets or right-of-use assets thereof or membership cards where the transaction amount reaches 20 percent or more of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government institution, shall obtain a CPA's opinion on the reasonableness of the transaction price prior to the date of occurrence of the event.	Amended to comply with the order Jin-Guan-Zheng-Fa-Zi No. 1110380465 dated January 28, 2022 by the Financial Supervisory Commission.
Article 14	When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-	When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-	Amended to comply with the order Jin-Guan-Zheng-Fa-Zi No. 1110380465 dated January 28, 2022 by the Financial Supervisory Commission.



Article	Current Article	Amended Article	Reason for Amendment
	<p>in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>2. The reason for choosing the related party as a trading counterparty.</li> <li>3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 15 through 17.</li> <li>4. The date and price at which the related party originally acquired the real property, the original</li> </ol>	<p>in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>2. The reason for choosing the related party as a trading counterparty.</li> <li>3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 15 through 17.</li> <li>4. The date and price at which the related party originally acquired the real property, the original</li> </ol>	

Article	Current Article	Amended Article	Reason for Amendment
	<p>trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p>	<p>trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p><u>Where the transaction in paragraph 1 of the Company or any subsidiaries that are not public companies and the transaction amount reaches 10 percent or more of the Company's total assets, the Company or any subsidiaries that are not public companies may not proceed to enter into a transaction contract or make a payment until the documents in paragraph 1 have been submitted for the</u></p>	

Article	Current Article	Amended Article	Reason for Amendment
	<p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with paragraph 2 of Article 28 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors need not be counted toward the transaction amount. (below omitted)</p>	<p><u>approval in the Shareholders' Meeting of the Company. However, this provision does not apply to the transaction between the Company and its parent or subsidiaries, or between its subsidiaries.</u></p> <p>The calculation of the transaction amounts referred to in <u>paragraph 1 and</u> the preceding paragraph shall be made in accordance with paragraph 2 of Article 28 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by <u>the Shareholders' Meeting or</u> the Board of Directors need not be counted toward the transaction amount. (below omitted)</p>	
Article 28	<p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the securities competent authority's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately</p>	<p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the securities competent authority's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately</p>	<p>Amended to comply with the order Jin-Guan-Zheng-Fa-Zi No. 1110380465 dated January 28, 2022 by the Financial Supervisory Commission.</p>

Article	Current Article	Amended Article	Reason for Amendment
	<p>from the date of occurrence of the event:</p> <p>1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>2. Merger, demerger, acquisition, or assignment of shares.</p> <p>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>4. Where</p>	<p>from the date of occurrence of the event:</p> <p>1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>2. Merger, demerger, acquisition, or assignment of shares.</p> <p>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>4. Where</p>	

Article	Current Article	Amended Article	Reason for Amendment
	<p>equipment/machinery or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the trading counterparty is not a related party, and the transaction amount is more than NT\$1 billion.</p> <p>5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the trading counterparty is not a related party, and the amount the Company expects to invest in the transaction is more than NT\$500 million.</p> <p>6. An asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area where the transaction amount reaches 20</p>	<p>equipment/machinery or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the trading counterparty is not a related party, and the transaction amount is more than NT\$1 billion.</p> <p>5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the trading counterparty is not a related party, and the amount the Company expects to invest in the transaction is more than NT\$500 million.</p> <p>6. An asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area where the transaction amount reaches 20</p>	

Article	Current Article	Amended Article	Reason for Amendment
	<p>percent or more of paid-in capital or NT\$300 million or more, provided this shall not apply to the following circumstances:</p> <p>(1) Trading of domestic government bonds.</p> <p>(2) Trading of bonds under repurchase/resale agreements or the subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>(below omitted)</p>	<p>percent or more of paid-in capital or NT\$300 million or more, provided this shall not apply to the following circumstances:</p> <p>(1) Trading of domestic government bonds <u>or foreign government bonds with a sovereign rating not lower than the sovereign rating of the R.O.C.</u></p> <p>(2) Trading of bonds under repurchase/resale agreements or the subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>(below omitted)</p>	

## Resolution:

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

			Year ended December 31			
			2021		2020	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(20) and 7	\$	365,812,098	100	\$ 253,294,668	100
5000 Operating costs	6(6)(15)(25)(26) and 7	(	312,373,726)	( 85)	( 223,762,600)	( 88)
5900 Net operating margin			53,438,372	15	29,532,068	12
Operating expenses	6(15)(25)(26) and 7					
6100 Selling expenses		(	12,840,956)	( 3)	( 8,870,730)	( 4)
6200 General and administrative expenses		(	6,164,686)	( 2)	( 5,337,718)	( 2)
6000 Total operating expenses		(	19,005,642)	( 5)	( 14,208,448)	( 6)
6900 Operating profit			34,432,730	10	15,323,620	6
Non-operating income and expenses						
7100 Interest income	6(21)		350,874	-	356,766	-
7010 Other income	6(22) and 7		4,446,994	1	6,995,269	3
7020 Other gains and losses	6(23)	(	589,966)	-	( 394,027)	-
7050 Finance costs	6(8)(24) and 7	(	1,048,054)	-	( 1,293,887)	-
7060 Share of profit of associates and joint ventures accounted for under equity method	6(7)		12,567,317	3	3,779,946	1
7000 Total non-operating income and expenses			15,727,165	4	9,444,067	4
7900 Profit before income tax			50,159,895	14	24,767,687	10
7950 Income tax expense	6(27)	(	7,452,464)	( 2)	( 3,213,494)	( 1)
8000 Profit for the year from continuing operations			42,707,431	12	21,554,193	9
8100 Loss from discontinued operations	6(10)		-	-	( 484)	-
8200 Profit for the year		\$	42,707,431	12	\$ 21,553,709	9

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income (net)</b>	6(19)(27)				
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Actuarial (loss) gain on defined benefit plans		(\$ 349,586)	-	\$ 305,882	-
8316 Unrealised gain (loss) on financial assets measured at fair value through other comprehensive income		21,961,032	6	( 8,423,056)	( 4)
8320 Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method		2,693,570	1	( 775,897)	-
8310 Other comprehensive income (loss) that will not be reclassified to profit or loss		24,305,016	7	( 8,893,071)	( 4)
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		( 939,757)	( 1)	( 371,436)	-
8370 Share of other comprehensive loss of associates and joint ventures accounted for under equity method		( 539,943)	-	( 784,121)	-
8399 Income tax relating to the components of other comprehensive income		111,624	-	( 104,057)	-
8360 Other comprehensive loss that will be reclassified to profit or loss		( 1,368,076)	( 1)	( 1,259,614)	-
8300 <b>Total other comprehensive income (loss) for the year</b>		<u>\$ 22,936,940</u>	<u>6</u>	<u>(\$ 10,152,685)</u>	<u>( 4)</u>
8500 <b>Total comprehensive income for the year</b>		<u>\$ 65,644,371</u>	<u>18</u>	<u>\$ 11,401,024</u>	<u>5</u>
Net income attributable to:					
8610 Owners of the parent		\$ 38,359,347	11	\$ 19,544,141	8
8620 Non-controlling interest		4,348,084	1	2,009,568	1
		<u>\$ 42,707,431</u>	<u>12</u>	<u>\$ 21,553,709</u>	<u>9</u>
Total comprehensive income attributable to:					
8710 Owners of the parent		\$ 61,244,278	17	\$ 10,128,238	4
8720 Non-controlling interest		4,400,093	1	1,272,786	1
		<u>\$ 65,644,371</u>	<u>18</u>	<u>\$ 11,401,024</u>	<u>5</u>
Basic earnings per share					
9710 Income from continuing operations		\$	-	\$	-
9720 Net income of non-controlling interests		-	-	-	-
9750 Net income attributable to ordinary equity holders of the parent		<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>
Pro forma information assuming the investment of the subsidiary, Formosa Taffeta Co., Ltd., and indirectly owned subsidiary are not treated as treasury stock:					
Income from continuing operations		\$	-	\$	-
Net income of non-controlling interests		-	-	-	-
Net income attributable to ordinary equity holders of the parent		<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>

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



**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

For the years ended December 31

			2021		2020	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(16) and 7		\$ 243,485,062	100	\$ 159,681,997	100
5000 Operating costs	6(5)(21)(22) and 7		( 215,215,994)	( 88)	( 147,711,667)	( 92)
5900 Net operating margin			28,269,068	12	11,970,330	8
5910 Unrealised profit from sales			( 325,044)	-	( 47,243)	-
5920 Realised profit from sales			47,243	-	285,173	-
5950 Net operating margin			27,991,267	12	12,208,260	8
Operating expenses	6(11)(21)(22) and 7					
6100 Selling expenses			( 8,054,373)	( 3)	( 4,725,799)	( 3)
6200 General and administrative expenses			( 3,873,175)	( 2)	( 3,301,210)	( 2)
6000 Total operating expenses			( 11,927,548)	( 5)	( 8,027,009)	( 5)
6900 Operating profit			16,063,719	7	4,181,251	3
Non-operating income and expenses						
7100 Interest income	6(17)		48,103	-	129,309	-
7010 Other income	6(18) and 7		3,414,224	1	5,174,466	3
7020 Other gains and losses	6(19)		( 626,220)	-	( 1,167,811)	( 1)
7050 Finance costs	6(7)(20) and 7		( 697,113)	-	( 808,895)	-
7070 Share of profit of associates and joint ventures accounted for under equity method	6(6)		23,460,919	9	13,094,869	8
7000 Total non-operating income and expenses			25,599,913	10	16,421,938	10
7900 Profit before income tax			41,663,632	17	20,603,189	13
7950 Income tax expense	6(23)		( 3,304,285)	( 1)	( 1,059,048)	( 1)
8200 Profit for the year			\$ 38,359,347	16	\$ 19,544,141	12

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

For the years ended December 31

Items	Notes	2021		2020	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income (net)</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Actuarial (losses) gains on defined benefit plans	6(11)	(\$ 349,586)	-	\$ 305,882	-
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(15)	19,745,942	8	( 15,129,232)	( 10)
8330 Share of other comprehensive income of associates and joint ventures accounted for using equity method		<u>4,479,492</u>	<u>2</u>	<u>6,087,983</u>	<u>4</u>
8310 Other comprehensive income (loss) that will not be reclassified to profit or loss		<u>23,875,848</u>	<u>10</u>	<u>( 8,735,367)</u>	<u>( 6)</u>
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Exchange differences on translation	6(15)	( 488,425)	-	278,998	-
8380 Share of other comprehensive loss of associates and joint ventures accounted for using equity method		( 614,116)	( 1)	( 855,477)	-
8399 Income tax relating to the components of other comprehensive income	6(15)(23)	<u>111,624</u>	<u>-</u>	<u>( 104,057)</u>	<u>-</u>
8360 Other comprehensive loss that will be reclassified to profit or loss		<u>( 990,917)</u>	<u>( 1)</u>	<u>( 680,536)</u>	<u>-</u>
8300 <b>Other comprehensive income (loss) for the year</b>		<u>\$ 22,884,931</u>	<u>9</u>	<u>(\$ 9,415,903)</u>	<u>( 6)</u>
8500 <b>Total comprehensive income for the year</b>		<u>\$ 61,244,278</u>	<u>25</u>	<u>\$ 10,128,238</u>	<u>6</u>
<b>Basic earnings per share (in dollars)</b>	6(24)	Before Tax	After Tax	Before Tax	After Tax
9750 <b>Net income</b>		<u>\$ 7.12</u>	<u>\$ 6.56</u>	<u>\$ 3.52</u>	<u>\$ 3.34</u>
<b>Assuming shares held by subsidiary are not deemed as treasury stock:</b>					
<b>Basic earnings per share (in dollars)</b>					
<b>Net income</b>		<u>\$ 7.11</u>	<u>\$ 6.54</u>	<u>\$ 3.52</u>	<u>\$ 3.33</u>

The accompanying notes are an integral part of these parent company only financial statements.

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 23,062,097	4	\$ 17,127,127	3
1110	Financial assets at fair value through profit or loss - current	6(2)	3,903,900	1	3,888,592	1
1120	Current financial assets at fair value through other comprehensive income	6(3)	116,451,723	20	109,489,471	21
1136	Current financial assets at amortised cost	6(4)	1,953,235	-	1,116,878	-
1150	Notes receivable, net	6(5)	8,173,238	1	10,884,391	2
1160	Notes receivable - related parties	6(5) and 7	8,505	-	4,260	-
1170	Accounts receivable, net	6(5)	20,204,508	3	16,661,036	3
1180	Accounts receivable - related parties	6(5) and 7	8,719,009	2	5,954,694	1
1200	Other receivables	7	2,742,096	-	2,558,805	1
1210	Other receivables - related parties	7	2,698,693	-	4,195,598	1
130X	Inventory	6(6) and 8	47,200,475	8	33,047,807	6
1470	Other current assets	7	11,513,548	2	10,936,356	2
11XX	Total current assets		246,631,027	41	215,865,015	41
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	72,999,266	12	59,621,608	11
1535	Non-current financial assets at amortised cost	6(4) and 8	2,390,179	1	263,646	-
1550	Investments accounted for under equity method	6(7)	129,632,702	22	116,029,032	22
1600	Property, plant and equipment	6(8), 7 and 8	130,897,801	22	127,268,960	24
1755	Right-of-use assets	6(9)	1,577,555	-	1,541,844	-
1780	Intangible assets		5,884	-	3,436	-
1840	Deferred income tax assets	6(27)	2,240,322	-	2,111,162	-
1900	Other non-current assets	6(1)	11,970,535	2	9,115,725	2
15XX	Total non-current assets		351,714,244	59	315,955,413	59
1XXX	Total assets		\$ 598,345,271	100	\$ 531,820,428	100

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 17,512,874	3	\$ 19,055,620	4
2110	Short-term notes and bills payable	6(11)	17,796,625	3	16,096,733	3
2120	Financial liabilities at fair value through profit or loss - current	6(12)	-	-	137	-
2150	Notes payable		246,102	-	225,924	-
2170	Accounts payable		3,888,771	-	5,930,437	
2180	Accounts payable - related parties	7	17,527,128	3	12,208,567	2
2200	Other payables	7	12,762,681	2	8,656,243	2
2220	Other payables - related parties	7	542,013	-	531,808	-
2230	Current income tax liabilities		5,732,381	1	2,423,121	1
2280	Current lease liabilities		110,520	-	125,986	-
2320	Long-term liabilities, current portion	6(13)(14)	4,550,000	1	2,106,821	-
2399	Other current liabilities		4,247,942	1	6,091,542	1
21XX	Total current liabilities		84,917,037	14	73,452,939	14
Non-current liabilities						
2530	Corporate bonds payable	6(13)	45,500,000	8	40,050,000	8
2540	Long-term borrowings	6(14)	17,177,183	3	16,241,267	3
2570	Deferred income tax liabilities	6(27)	382,012	-	440,237	-
2580	Non-current lease liabilities		793,472	-	711,804	-
2600	Other non-current liabilities	6(15)	5,594,613	1	5,471,652	1
25XX	Total non-current liabilities		69,447,280	12	62,914,960	12
2XXX	Total liabilities		154,364,317	26	136,367,899	26
Equity attributable to owners of parent						
	Share capital	6(16)				
3110	Common stock		58,611,863	10	58,611,863	11
	Capital surplus	6(17)				
3200	Capital surplus		9,192,999	1	9,167,637	2
	Retained earnings	6(18)				
3310	Legal reserve		66,313,982	11	64,335,076	12
3320	Special reserve		70,032,921	12	66,328,339	13
3350	Unappropriated retained earnings		72,145,718	12	53,380,101	10
	Other equity interest	6(19)				
3400	Other equity interest		114,997,001	19	92,854,794	17
3500	Treasury stocks	6(16)	( 323,952 )	-	( 323,952 )	-
31XX	Equity attributable to owners of the parent		390,970,532	65	344,353,858	65
36XX	Non-controlling interest		53,010,422	9	51,098,671	9
3XXX	Total equity		443,980,954	74	395,452,529	74
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 598,345,271	100	\$ 531,820,428	100

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

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

(Expressed in thousands of New Taiwan dollars)						
Assets		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,791,166	1	\$ 3,705,265	1
1110	Financial assets at fair value through profit or loss - current	6(2)	3,793,036	1	3,888,510	1
1120	Current financial assets at fair value through other comprehensive income	6(3)	115,266,234	23	108,390,105	24
1150	Notes receivable, net	6(4)	258,148	-	266,891	-
1160	Notes receivable - related parties	6(4) and 7	318,393	-	127,610	-
1170	Accounts receivable, net	6(4)	7,504,916	1	5,796,622	1
1180	Accounts receivable - related parties	6(4) and 7	17,617,929	3	12,181,977	3
1200	Other receivables	7	1,256,349	-	722,920	-
1210	Other receivables - related parties	7	2,698,693	1	4,195,598	1
130X	Inventory	6(5)	21,039,301	4	13,243,545	3
1470	Other current assets		4,084,191	1	4,554,725	1
11XX	Total current assets		176,628,356	35	157,073,768	35
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	31,887,504	6	19,017,691	4
1550	Investments accounted for under equity method	6(6)	228,496,601	45	205,595,844	46
1600	Property, plant and equipment	6(7) and 8	56,451,606	11	54,560,182	12
1755	Right-of-use assets	6(8)	21,468	-	27,188	-
1840	Deferred income tax assets	6(23)	2,118,024	1	1,956,173	1
1900	Other non-current assets	6(1)	7,888,369	2	7,065,392	2
15XX	Total non-current assets		326,863,572	65	288,222,470	65
1XXX	Total assets		\$ 503,491,928	100	\$ 445,296,238	100

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

(Expressed in thousands of New Taiwan dollars)						
Liabilities and equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(9)	\$ 8,884,300	2	\$ 13,763,200	3
2110	Short-term notes and bills payable	6(9)	17,496,684	3	15,596,755	4
2170	Accounts payable		1,377,476	-	1,838,945	-
2180	Accounts payable - related parties	7	16,022,287	3	11,083,977	3
2200	Other payables	7	7,044,405	1	5,227,252	1
2230	Current income tax liabilities		3,978,189	1	1,135,266	-
2280	Current lease liabilities		4,749	-	5,669	-
2320	Long-term liabilities, current portion	6(10)	4,550,000	1	2,050,000	1
2399	Other current liabilities		2,596,144	1	5,109,713	1
21XX	Total current liabilities		61,954,234	12	55,810,777	13
Non-current liabilities						
2530	Corporate bonds payable	6(10)	45,500,000	9	40,050,000	9
2570	Deferred income tax liabilities	6(23)	31,739	-	40,277	-
2580	Non-current lease liabilities		17,130	-	21,813	-
2600	Other non-current liabilities	6(11)	5,018,293	1	5,019,513	1
25XX	Total non-current liabilities		50,567,162	10	45,131,603	10
2XXX	Total liabilities		112,521,396	22	100,942,380	23
Equity						
	Share capital	6(12)				
3110	Common stock		58,611,863	12	58,611,863	13
	Capital surplus	6(13)				
3200	Capital surplus		9,192,999	2	9,167,637	2
	Retained earnings	6(14)				
3310	Legal reserve		66,313,982	13	64,335,076	14
3320	Special reserve		70,032,921	14	66,328,339	15
3350	Unappropriated retained earnings		72,145,718	14	53,380,101	12
	Other equity interest	6(15)				
3400	Other equity interest		114,997,001	23	92,854,794	21
3500	Treasury stocks	6(12)	( 323,952)	-	( 323,952)	-
3XXX	Total equity		390,970,532	78	344,353,858	77
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 503,491,928	100	\$ 445,296,238	100

The accompanying notes are an integral part of these parent company only financial statements.

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent												
Retained Earnings						Other Equity Interest						
		Total capital surplus, additional paid-in capital				Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Treasury stocks	Total	Non-controlling interest	Total equity
Notes	Common stock		Legal reserve	Special reserve	Unappropriated retained earnings							
For the year ended December 31, 2020												
Balance at January 1, 2020	\$ 58,611,863	\$ 9,138,869	\$ 61,364,852	\$ 60,171,925	\$ 64,990,184	(\$ 4,560,606)	\$ 107,120,877	\$ 659	(\$ 323,952)	\$ 356,514,671	\$ 52,776,292	\$ 409,290,963
Profit for the year	-	-	-	-	19,544,141	-	-	-	-	19,544,141	2,009,568	21,553,709
Other comprehensive income (loss) for the year	6(19)	-	-	-	404,543	( 712,000)	( 9,139,910)	31,464	-	( 9,415,903)	( 736,782)	( 10,152,685)
Total comprehensive income (loss)	-	-	-	-	19,948,684	( 712,000)	( 9,139,910)	31,464	-	10,128,238	1,272,786	11,401,024
Appropriations of 2019 earnings												
6(18)												
Legal reserve	-	-	2,970,224	-	( 2,970,224)	-	-	-	-	-	-	-
Special reserve	-	-	-	6,156,414	( 6,156,414)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	( 22,272,508)	-	-	-	-	( 22,272,508)	-	( 22,272,508)
Changes in the net interest of associates recognised under the equity method												
6(17)	-	4,568	-	-	( 88,768)	-	84,386	-	-	186	-	186
Cash dividends reclassified to capital surplus	6(17)	-	4,420	-	-	-	-	-	-	4,420	-	4,420
Dividends paid to subsidiaries to adjust capital surplus	6(17)	( 304)	-	-	-	-	-	-	-	( 304)	-	( 304)
Expired cash dividends reclassified to capital surplus	6(17)	-	17,295	-	-	-	-	-	-	17,295	-	17,295
Changes in ownership interests in subsidiaries	6(16)	-	2,789	-	( 40,929)	-	-	-	( 38,140)	4,657	( 33,483)	
Disposal of equity instruments measured at fair value through other comprehensive income												
-	-	-	-	-	( 29,924)	-	29,924	-	-	-	( 50,555)	( 50,555)
Cash dividends paid by consolidated subsidiaries												
-	-	-	-	-	-	-	-	-	-	-	( 3,243,752)	( 3,243,752)
Decrease in non-controlling interest-disposal of ownership interests in subsidiaries												
-	-	-	-	-	-	-	-	-	-	-	( 4,410)	( 4,410)
Increase in non-controlling interest-acquisition of ownership interests in subsidiaries												
-	-	-	-	-	-	-	-	-	-	-	343,653	343,653
Balance at December 31, 2020	\$ 58,611,863	\$ 9,167,637	\$ 64,335,076	\$ 66,328,339	\$ 53,380,101	(\$ 5,272,606)	\$ 98,095,277	\$ 32,123	(\$ 323,952)	\$ 344,353,858	\$ 51,098,671	\$ 395,452,529
For the year ended December 31, 2021												
Balance at January 1, 2021	\$ 58,611,863	\$ 9,167,637	\$ 64,335,076	\$ 66,328,339	\$ 53,380,101	(\$ 5,272,606)	\$ 98,095,277	\$ 32,123	(\$ 323,952)	\$ 344,353,858	\$ 51,098,671	\$ 395,452,529
Profit for the year	-	-	-	-	38,359,347	-	-	-	-	38,359,347	4,348,084	42,707,431
Other comprehensive income (loss) for the year	6(19)	-	-	-	( 537,510)	( 968,064)	24,413,358	( 22,853)	-	22,884,931	52,009	22,936,940
Total comprehensive income (loss)	-	-	-	-	37,821,837	( 968,064)	24,413,358	( 22,853)	-	61,244,278	4,400,093	65,644,371
Appropriations of 2020 earnings												
6(18)												
Legal reserve	-	-	1,978,906	-	( 1,978,906)	-	-	-	-	-	-	-
Special reserve	-	-	-	3,704,582	( 3,704,582)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	( 14,652,966)	-	-	-	-	( 14,652,966)	-	( 14,652,966)
Changes in the net interest of associates recognised under the equity method												
6(17)	-	442	-	-	2,565	( 2,565)	-	-	-	442	-	442
Cash dividends reclassified to capital surplus	6(17)	-	12,366	-	-	-	-	-	-	12,366	-	12,366
Dividends paid to subsidiaries to adjust capital surplus	6(17)	-	11,379	-	-	-	-	-	-	11,379	-	11,379
Expired cash dividends reclassified to capital surplus	6(17)	( 682)	-	-	-	-	-	-	-	( 682)	-	( 682)
Changes in ownership interests in subsidiaries	6(17)	-	1,857	-	-	-	-	-	-	1,857	2,948	4,805
Disposal of equity instruments measured at fair value through other comprehensive income												
-	-	-	-	-	1,277,669	( 1,277,669)	-	-	-	-	175,384	175,384
Cash dividends paid by consolidated subsidiaries												
-	-	-	-	-	-	-	-	-	-	-	( 2,550,389)	( 2,550,389)
Decrease in non-controlling interest-shares returned from liquidation in ownership interests in subsidiaries												
-	-	-	-	-	-	-	-	-	-	-	( 116,285)	( 116,285)
Balance at December 31, 2021	\$ 58,611,863	\$ 9,192,999	\$ 66,313,982	\$ 70,032,921	\$ 72,145,718	(\$ 6,240,670)	\$ 121,228,401	\$ 9,270	(\$ 323,952)	\$ 390,970,532	\$ 53,010,422	\$ 443,980,954

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

FORMOSA CHEMICALS & FIBRE CORPORATION  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)

		Retained Earnings				Other Equity Interest					
							Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Treasury stocks	Total
Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings						
<u>For the year ended December 31, 2020</u>											
Balance at January 1, 2020	\$ 58,611,863	\$ 9,138,869	\$ 61,364,852	\$ 60,171,925	\$ 64,990,184	(\$ 4,560,606 )	\$ 107,120,877	\$ 659	(\$ 323,952 )	\$ 356,514,671	
Profit for the year	-	-	-	-	19,544,141	-	-	-	-	19,544,141	
Other comprehensive income (loss) for the year	6(15)	-	-	-	404,543	( 712,000 )	( 9,139,910 )	31,464	-	( 9,415,903 )	
Total comprehensive income (loss)	-	-	-	-	19,948,684	( 712,000 )	( 9,139,910 )	31,464	-	10,128,238	
Appropriations of 2019 earnings	6(14)	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	2,970,224	-	( 2,970,224 )	-	-	-	-	-	
Special reserve	-	-	-	6,156,414	( 6,156,414 )	-	-	-	-	-	
Cash dividends	-	-	-	-	( 22,272,508 )	-	-	-	-	( 22,272,508 )	
Dividends paid to subsidiaries to adjust capital surplus	6(13)	-	17,295	-	-	-	-	-	-	17,295	
Changes in the net interest of associates recognised under the equity method	6(13)	-	4,568	-	( 88,768 )	-	84,386	-	-	186	
Expired cash dividends reclassified to capital surplus	6(13)	-	4,420	-	-	-	-	-	-	4,420	
Expired dividends paid from capital surplus	6(13)	-	( 304 )	-	-	-	-	-	-	( 304 )	
Changes in ownership interests in subsidiaries	6(13)	-	2,789	-	( 40,929 )	-	-	-	-	( 38,140 )	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	( 29,924 )	-	29,924	-	-	-	
Balance at December 31, 2020	\$ 58,611,863	\$ 9,167,637	\$ 64,335,076	\$ 66,328,339	\$ 53,380,101	(\$ 5,272,606 )	\$ 98,095,277	\$ 32,123	(\$ 323,952 )	\$ 344,353,858	
<u>For the year ended December 31, 2021</u>											
Balance at January 1, 2021	\$ 58,611,863	\$ 9,167,637	\$ 64,335,076	\$ 66,328,339	\$ 53,380,101	(\$ 5,272,606 )	\$ 98,095,277	\$ 32,123	(\$ 323,952 )	\$ 344,353,858	
Profit for the year	-	-	-	-	38,359,347	-	-	-	-	38,359,347	
Other comprehensive income (loss) for the year	6(15)	-	-	-	( 537,510 )	( 968,064 )	24,413,358	( 22,853 )	-	22,884,931	
Total comprehensive income (loss)	-	-	-	-	37,821,837	( 968,064 )	24,413,358	( 22,853 )	-	61,244,278	
Appropriations of 2020 earnings	6(14)	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	1,978,906	-	( 1,978,906 )	-	-	-	-	-	
Special reserve	-	-	-	3,704,582	( 3,704,582 )	-	-	-	-	-	
Cash dividends	-	-	-	-	( 14,652,966 )	-	-	-	-	( 14,652,966 )	
Dividends paid to subsidiaries to adjust capital surplus	6(13)	-	11,379	-	-	-	-	-	-	11,379	
Changes in the net interest of associates recognised under the equity method	6(13)	-	442	-	2,565	-	( 2,565 )	-	-	442	
Expired cash dividends reclassified to capital surplus	6(13)	-	12,366	-	-	-	-	-	-	12,366	
Expired dividends paid from capital surplus	6(13)	-	( 682 )	-	-	-	-	-	-	( 682 )	
Changes in ownership interests in subsidiaries	6(13)	-	1,857	-	-	-	-	-	-	1,857	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	1,277,669	-	( 1,277,669 )	-	-	-	
Balance at December 31, 2021	\$ 58,611,863	\$ 9,192,999	\$ 66,313,982	\$ 70,032,921	\$ 72,145,718	(\$ 6,240,670 )	\$ 121,228,401	\$ 9,270	(\$ 323,952 )	\$ 390,970,532	

The accompanying notes are an integral part of these parent company only financial statements.



**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in thousands of New Taiwan dollars)

		For the years ended December 31	
	Notes	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit from continuing operations before tax		\$ 50,159,895	\$ 24,767,687
Loss from discontinued operations before tax	6(10)	-	( 484 )
Profit before tax		50,159,895	24,767,203
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(25)	13,806,835	13,365,687
Amortisation	6(25)	4,185,976	3,669,159
Net gain on financial assets and liabilities at fair value through profit or loss	6(23)	91,153	155,552
Interest expense	6(24)	1,048,054	1,293,887
Interest income	6(21)	( 350,874 )	( 356,838 )
Dividend income	6(22)	( 3,116,391 )	( 5,113,321 )
Gain on disposal of investments	6(10)	-	( 165 )
Share of profit or loss of associates accounted for under the equity method		( 12,567,317 )	( 3,779,946 )
Gain on disposal and scrap of property, plant and equipment	6(23)	( 4,770 )	( 692,419 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		2,711,153	( 3,985,436 )
Notes receivable-related parties		( 4,245 )	2,135
Accounts receivable		( 3,543,472 )	( 599,651 )
Accounts receivable-related parties		( 2,764,315 )	( 817,339 )
Other receivables		( 149,674 )	5,213,635
Inventories		( 14,152,668 )	8,221,457
Other current assets		( 577,192 )	( 3,962,200 )
Changes in operating liabilities			
Notes payable		20,178	410
Accounts payable		( 2,041,666 )	( 437,189 )
Accounts payable-related parties		5,318,561	830,574
Other payables		2,681,152	( 1,137,950 )
Other current liabilities		( 1,843,600 )	1,274,893
Accrued pension liabilities		( 369,793 )	( 1,264,280 )
Cash inflow generated from operations		38,536,980	36,647,858
Interest received		317,257	374,883
Dividends received		5,223,948	12,250,867
Interest paid		( 1,018,388 )	( 1,351,231 )
Income tax paid		( 4,330,589 )	( 1,709,608 )
Net cash flows from operating activities		38,729,208	46,212,769

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in thousands of New Taiwan dollars)

		For the years ended December 31	
	Notes	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease in other receivables-related parties		\$ 1,496,905	\$ 8,603,238
Acquisition of financial assets at fair value through profit or loss		( 106,598 )	-
Acquisition of financial assets at fair value through other comprehensive income		( 247,511 )	( 55,400 )
Shares returned from reduction in financial assets at fair value through other comprehensive income		-	14,810
Proceeds from disposal of financial assets at fair value through other comprehensive income		2,026,251	518
Acquisition of financial assets at amortised cost		( 2,962,890 )	( 1,380,524 )
Acquisition of investments accounted for under the equity method		( 936,281 )	( 2,664,942 )
Net cash flows used in disposal of subsidiaries	6(30)	-	( 23,556 )
Net cash flows used in acquisition of ownership interests in subsidiaries	6(29)	-	( 66,160 )
Acquisition of property, plant and equipment	6(30)	( 16,152,196 )	( 15,681,770 )
Proceeds from disposal of property, plant and equipment		24,546	998,237
Acquisition of intangible assets		( 3,063 )	( 2,623 )
Increase in non-current assets		( 7,294,922 )	( 3,298,078 )
Net cash flows used in investing activities		( 24,155,759 )	( 13,556,250 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in short-term borrowings		( 1,542,746 )	( 13,314,003 )
Increase in short-term notes and bills payable		1,699,892	1,700,363
Increase in other payables-related parties		10,205	531,808
Increase in corporate bonds payable		10,000,000	10,000,000
Payment of corporate bonds payable		( 2,050,000 )	( 2,750,000 )
Increase in long-term borrowings		12,024,670	14,752,685
Payment of long-term borrowings		( 10,955,608 )	( 16,228,492 )
Payment of lease liabilities		( 181,506 )	( 178,039 )
(Decrease) increase in other non-current liabilities		( 10,310 )	2,058
Payment of cash dividends	6(30)	( 14,657,452 )	( 22,267,479 )
Payment of expired cash dividends reclassified to capital surplus		( 682 )	( 304 )
Payment of cash dividends - non-controlling interest		( 2,551,250 )	( 3,243,752 )
Shares returned from liquidation - non-controlling interest		( 116,285 )	-
Net cash flows used in financing activities		( 8,331,072 )	( 30,995,155 )
Effect of foreign exchange translations		( 307,407 )	366,511
Net increase in cash and cash equivalents		5,934,970	2,027,875
Cash and cash equivalents at beginning of year		17,127,127	15,099,252
Cash and cash equivalents at end of year		\$ 23,062,097	\$ 17,127,127

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

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

		For the years ended December 31	
	Notes	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 41,663,632	\$ 20,603,189
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(21)	5,958,059	5,648,825
Amortization	6(21)	3,470,945	3,166,572
Net loss on financial assets and liabilities at fair value through profit or loss	6(19)	95,474	155,458
Interest expense	6(20)	697,113	808,895
Interest income	6(17)	( 48,103 )	( 129,309 )
Dividend income	6(18)	( 2,839,615 )	( 3,955,134 )
Share of profit or loss of associates accounted for under the equity method		( 23,460,919 )	( 13,094,869 )
(Gain) loss on disposal and scrap of property, plant and equipment	6(19)	( 13,102 )	204,906
Unrealised (realised) gain from sales		277,801	( 237,930 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		8,743	( 50,502 )
Notes receivable-related parties		( 190,783 )	( 82,611 )
Accounts receivable		( 1,708,294 )	( 160,761 )
Accounts receivable-related parties		( 5,435,952 )	657,499
Other receivables		( 536,003 )	329,481
Inventory		( 7,795,756 )	5,802,491
Other current assets		470,534	( 1,522,214 )
Changes in operating liabilities			
Accounts payable		( 461,469 )	( 272,413 )
Accounts payable-related parties		4,938,310	1,056,168
Other payables		1,992,426	( 887,969 )
Other current liabilities		( 2,513,569 )	1,196,791
Accrued pension liabilities		( 299,767 )	( 793,963 )
Cash inflow generated from operations		14,269,705	18,442,600
Interest received		50,677	136,323
Dividends received		6,710,126	12,902,065
Interest paid		( 666,537 )	( 820,936 )
Income tax paid		( 520,130 )	( 209,720 )
Net cash flows from operating activities		19,843,841	30,450,332

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in other receivables-related parties		\$ 1,496,905	\$ 8,603,238
Proceeds from disposal of financial assets at fair value through profit or loss		-	23,293
Acquisition of investments accounted for under the equity method		( 936,282 )	( 1,383,254 )
Proceeds from liquidation of investments accounted for under the equity method		738,764	-
Acquisition of property, plant and equipment	6(25)	( 8,041,818 )	( 6,989,725 )
Proceeds from disposal of property, plant and equipment		21,820	65,876
Increase in non-current assets		( 4,293,505 )	( 2,621,654 )
Net cash flows used in investing activities		( 11,014,116 )	( 2,302,226 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings		( 4,878,900 )	( 7,293,800 )
Increase in short-term notes and bills payable		1,899,929	1,200,385
Payment of long-term borrowings		-	( 4,033,333 )
Increase in corporate bonds payable		10,000,000	10,000,000
Payment of corporate bonds payable		( 2,050,000 )	( 2,750,000 )
Payment of lease liabilities		( 5,680 )	( 6,022 )
(Decrease) increase in other non-current liabilities		( 51,039 )	22,707
Payment of cash dividends	6(25)	( 14,657,452 )	( 22,267,479 )
Expired dividends paid from capital surplus		( 682 )	( 304 )
Net cash flows used in financing activities		( 9,743,824 )	( 25,127,846 )
Net (decrease) increase in cash and cash equivalents		( 914,099 )	3,020,260
Cash and cash equivalents at beginning of year		3,705,265	685,005
Cash and cash equivalents at end of year		\$ 2,791,166	\$ 3,705,265

The accompanying notes are an integral part of these parent company only financial statements.

**Formosa Chemicals & Fibre Corporation**  
**Statement of Profits Distribution**  
**For the year of 2021**

Unit : NT\$

Items		Amount
<b>Available for Distribution:</b>		
1.Unappropriated retained earnings of previous years		33,043,646,429
2.Net profit after tax of current year		38,359,346,566
3.Other profit items adjusted to the current year's undistributed earnings other than after-tax net income for the period		742,725,266
<b>Total</b>		<b>72,145,718,261</b>
<b>Distribution Items:</b>		
1.Appropriation of legal reserve		3,910,207,183
2.Appropriation of special reserve		6,428,355,883
3.Distribution of dividends and bonus in cash ( \$4.8 per share)		28,133,694,197
4.Unappropriated retained earnings carried forward to next year		33,673,460,998
<b>Total</b>		<b>72,145,718,261</b>
<b>Explanation</b>	<p>1. Registered capital of the company is NT\$58,611,862,910; outstanding shares entitled to cash dividends distribution are 5,861,186,291.</p> <p>2. The Company plans to distribute dividends of \$4.8 per share for current year (among which, \$2.22 per share will be distributed as dividends and \$2.58 per share will be distributed as bonus); all of which are cash dividends.</p> <p>3. While the distribution of cash dividends to each individual shareholder is less than 1 dollar, the distribution will be rounded to the nearest dollar.</p> <p>4. Other profit items adjusted to the current year's undistributed earnings other than after-tax net income for the period is due to a re-measurement of the actuarial pension adjustment and changes in equity interests in subsidiaries and the disposal of equity instruments at fair value through other comprehensive income.</p>	

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR21000320

To the Board of Directors and Shareholders of Formosa Chemicals & Fibre Corporation

### ***Introduction***

We have audited the accompanying consolidated balance sheets of Formosa Chemicals & Fibre Corporation and subsidiaries (the "Group") as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### ***Basis for opinion***

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

### ***Key audit matters***

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

### ***Assessment of loss allowance for accounts receivable***

#### Description

Refer to Note 4(11) for accounting policy on accounts receivable, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to impairment of accounts receivable, and Note 6(5) for details of loss allowance for accounts receivable. As of December 31, 2021, the Group's accounts receivable amounted to NT\$28,923,517 thousand, net of loss allowance in the amount of NT\$155,526 thousand.

The Group assesses expected credit impairment loss on accounts receivable based on historical experience, forward-looking information and known reason or existing objective evidences. For those accounts which are considered uncollectible, the Company recognises impairment with a credit to accounts receivable. Management evaluates the reasonableness of estimated provision periodically. As the estimation of loss allowance is subject to management's judgement and business indicators, the amount of provision is based on the collectability of accounts receivable, and considering that accounts receivable and loss allowance are material to the financial statements, we considered the loss allowance for accounts receivable a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Obtained the overdue aging report used when management assesses the expected credit impairment loss, assessed whether the logic of data source was consistently applied, and tested its accuracy with proper documents.
2. Assessed the reasonableness of estimates used by management in calculating expected credit impairment loss and obtained supporting documents, including forward-looking information, disputed accounts, overdue accounts, subsequent collection, and other indications that would show the customer would be unable to repay on schedule.

3. Performed subsequent collection test in order to verify the adequacy of loss allowance provided for accounts receivable.

## ***Evaluation of inventories***

### Description

Refer to Note 4(13) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(6) for detailed information on allowance for inventory valuation losses. As of December 31, 2021, the inventory and allowance for inventory valuation losses were NT\$48,955,197 thousand and NT\$1,754,722 thousand, respectively.

The Group is primarily engaged in the manufacture and sales of petrochemical plastic products, fibers weaving and cords. As the price of petrochemical plastic products is subject to the fluctuations in international crude oil price, and the textile market is competitive, there is a higher risk for inventory valuation loss. The Group recognises inventories at the lower of cost and net realisable value, and the net realisable value is calculated based on average price less selling expenses. Since the net realisable value used in inventory valuation involves subjective judgement and high uncertainty in estimation, and the allowance for inventory valuation losses is material to the financial statements, we considered the allowance for inventory valuation losses as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Assessed the reasonableness of policies and procedures on allowance for inventory valuation loss, including the reasonableness of classification of inventory in determining the net realisable value.
2. Understood the Group's warehousing control procedures. Reviewed the annual physical inventory count plan and participated in the annual inventory count in order to assess the effectiveness of the classification of inventory and internal control over inventory.
3. Checked the method in calculating the net realisable value of inventory and assessed the reasonableness of allowance for valuation loss.



***Other matter – Reference to the audits of other auditors***

We did not audit the financial statements of certain subsidiaries and investments accounted for under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these subsidiaries and associates, is based solely on the reports of the other auditors. Total assets of these subsidiaries and the balances of these investments accounted for under the equity method amounted to NT\$157,808,066 thousand and NT\$142,480,542 thousand, constituting 26% and 27% of the consolidated total assets as at December 31, 2021 and 2020, respectively, and operating revenue amounted to NT\$28,464,573 thousand and NT\$24,251,284 thousand, constituting 8% and 10% of the consolidated total operating revenue for the years then ended, respectively. The comprehensive income recognised from these associates and joint ventures accounted for under the equity method amounted to NT\$14,655,582 thousand and NT\$2,077,294 thousand, constituting 22% and 18% of the consolidated total comprehensive income for the years ended December 31, 2021 and 2020, respectively.

***Other matter – Parent company only financial reports***

We have audited the parent company only financial statements of Formosa Chemicals & Fibre Corporation as of and for the years ended December 31, 2021 and 2020, and have expressed an unqualified opinion on those financial statements.

***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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### ***Auditors' responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards 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 generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

Wu, Han-Chi

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 9, 2022

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR21000304

To the Board of Directors and Shareholders of FORMOSA CHEMICALS & FIBRE CORPORATION

### ***Opinion***

We have audited the accompanying parent company only balance sheets of FORMOSA CHEMICALS & FIBRE CORPORATION as at December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to the *Other Matter – Audits of the Other Independent Auditors* section of our report), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of FORMOSA CHEMICALS & FIBRE CORPORATION as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards 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 FORMOSA CHEMICALS & FIBRE CORPORATION in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2021 financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

#### **Assessment of loss allowance for accounts receivable**

##### Description

Refer to Note 4(9) of parent company only financial statements for accounting policy on accounts receivable, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to impairment of accounts receivable, and Note 6(4) for details of loss allowance for accounts receivable. As of December 31, 2021, the Company's accounts receivable amounted to NT\$25,122,845 thousand, net of loss allowance in the amount of NT\$72,076 thousand.

The Company assesses expected credit impairment loss on accounts receivable based on historical experience, forward-looking information and known reason or existing objective evidences. For those accounts which are considered uncollectible, the Company recognises impairment with a credit to accounts receivable. Management evaluates the reasonableness of estimated provision periodically. As the estimation of loss allowance is subject to management's judgement and business indicators, the amount of provision is based on the collectability of accounts receivable, and considering that accounts receivable and loss allowance are material to the financial statements, we considered the loss allowance for accounts receivable a key audit matter.

##### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained the overdue aging report used when management assessed the expected credit impairment loss, assessed whether the logic of data source was consistently applied, and tested its accuracy with proper documents.
2. Assessed the reasonableness of estimates used by management in calculating expected credit impairment loss and obtained supporting documents, including forward-looking information, disputed accounts, overdue accounts, subsequent collection, and other indications that would show the customer would be unable to repay on schedule.

3. Performed subsequent collection test in order to verify the adequacy of loss allowance provided for accounts receivable.

## **Valuation of inventories**

### Description

Refer to Note 4(11) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for detailed information on allowance for inventory valuation losses. As of December 31, 2021, the inventory and allowance for inventory valuation losses were NT\$22,015,119 thousand and NT\$975,818 thousand, respectively. The Company is primarily engaged in the manufacture and sales of petrochemical plastic products, fibers weaving and cords. Because the price of petrochemical plastic products is subject to the fluctuations in international crude oil prices, and the textile market is competitive, there is a higher risk of inventory valuation loss. The Company recognises inventories at the lower of cost and net realisable value, and the net realisable value is calculated based on average price less selling expenses. Since the net realisable value used in inventory valuation involves subjective judgement and high uncertainty in estimation, and the allowance for inventory valuation loss is material to the financial statements, we considered the valuation of inventory as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Assessed the reasonableness of policies and procedures on allowance for inventory valuation loss, including the reasonableness of classification of inventory in determining the net realisable value;
2. Understood the Company's warehousing control procedures, reviewed the annual physical inventory count plan and participated in the annual inventory count in order to assess the effectiveness of the classification of inventory and internal control over inventory.
3. Checked the method in calculating the net realisable value of inventory and assessed the reasonableness of allowance for valuation loss.

### ***Other matter – audits of the other independent auditors***

We did not audit the financial statements of certain investments accounted for under the equity method. Investments accounted for under the equity method amounted to NT\$126,366,526 thousand and NT\$113,412,424 thousand, both constituting 25% of total assets as of December 31, 2021 and 2020, respectively and comprehensive income was NT\$14,884,187 thousand and NT\$1,916,061 thousand, constituting 24% and 19% of total comprehensive income for the years then ended, respectively. Those financial statements were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent auditors.

### ***Responsibilities of management and those charged with governance for the parent company only financial statements***

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

In preparing the parent company only financial statements, 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 audit committee, are responsible for overseeing the Company's financial reporting process.

### ***Auditors' responsibilities for the audit of the parent company only financial statements***

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards 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 parent company only financial statements.

As part of an audit in accordance with the generally accepted auditing standards 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period 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.

Wu, Han-Chi

Chou, Chien-Hung

for and on behalf of PricewaterhouseCoopers, Taiwan

March 9, 2022

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The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**Information regarding the Proposed Employees and Directors' Compensation to Adopted by the Board of Directors of the Company:**

1. Amounts of employees' cash compensation, stock compensation, and Directors' compensation:	
Employees Cash Compensation	NT\$ 41,705,337
Employees Stock Compensation	NT\$ 0
Directors Compensation	NT\$ 0
2. Share amount of the employees' stock compensation and the percentage of the share amount to that of all stock dividend:	
Share amount of employees' stock compensation	0 share
Percentage of the share amount to that of all stock dividend	0%

The above-listed amount of employees' cash compensation is consistent with the proposed amount adopted by the Board of Directors of the Company.

Effect upon Business Performance and Earnings Per Share of the Company by the Stock Dividend Distribution Proposed at the 2022 Annual Shareholders' Meeting:

Not applicable since the Company does not propose the stock dividend distribution at the 2022 Annual Shareholders' Meeting and does not required preparing financial forecast information.

# **Articles of Incorporation of Formosa Chemicals & Fibre Corporation**

Amended by the Annual Shareholders' Meeting on June 15, 2018

## **Chapter 1 General Provisions**

Article 1: The Company shall be incorporated as a company limited by shares under the Company Act and its name shall be “Formosa Chemicals & Fibre Corporation”.

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

1. A201010 Afforestation business
2. A202040 Logging business
3. C301010 Yarn Spinning Mills
4. C302010 Knit Fabric Mills
5. C305010 Printing, Dyeing, and Finishing Mills
6. C501010 Timbering industry
7. C601010 Paper mills
8. C801010 Basic Industrial Chemical Manufacturing
9. C801020 Petrochemical Manufacturing
10. C801030 Precision chemical materials manufacturing
11. C801100 Synthetic Resin & Plastic Manufacturing
12. C801120 Manmade Fiber Manufacturing
13. C801990 Other Chemical Materials Manufacturing
14. C802080 Manufacturing of environmental use medicine
15. C802090 cleaning preparations manufacturing
16. C802100 Cosmetics Manufacturing
17. C901990 Non-metallic mineral products
18. CB01010 Machinery and Equipment Manufacturing
19. CC01080 Electronic Parts and Components  
Manufacturing
20. D101050 Steam and Electricity Paragenesis
21. E502010 Fuel Pipe Construction
22. E599010 Pipe Lines Construction
23. E601010 Electric Appliance Construction
24. E603010 Cable Construction
25. E603040 Fire Fighting Equipment Construction

26. E603050 Cybernation Equipment Construction
27. E603090 Illumination Equipment Construction
28. E603100 Electric Welding Construction
29. E603110 Cold work engineering
30. E603120 Sand Spurting Construction
31. E604010 Machinery Installation Construction
32. E605010 Computing Equipment Installation
33. E901010 Painting engineering
34. E903010 Eroding and Rusting Construction
35. EZ02010 Hoisting engineering
36. EZ05010 Apparatus and Gauge Installation
37. EZ15010 Warming and Cooling Maintenance  
Construction
38. 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 Changhua County. The Board of Directors may decide to set up subsidiaries, plants and branch offices at various locations within and without the territory of the Republic of China as necessary. Their establishment or change or abolishment shall be managed upon the resolutions of the Board of Directors.

Article 4: Public announcements of the Company shall be published in accordance with Article 28 of the Company Act.  
The Company may provide guarantees for related parties.  
The total investment amount of the Company may exceed forty percent of the paid-in capital.

## **Chapter 2 Shares**

Article 5: The total capital of the Company shall be in the amount of 58,611,862,900 New Taiwan Dollars, divided into 5,861,186,290 shares, at a par value of 10 New Taiwan Dollars per share, issued in full.

Article 6: The Company may be exempted from printing any share certificates in accordance with relevant regulations.

However, those shares shall be registered in a centralized securities depository enterprise.

Article 7: (deleted)

Article 8: (deleted)

Article 9: The shareholders shall submit their seal specimen to the Company for record. Afterward, the shareholders shall receive the dividend or exercise their rights in writing against the specimen kept by the Company.

In the event that the seal specimen is lost or stolen, the shareholders shall fill out the application of lost seal with detailed share certificate numbers and shares and submit the same along with identity documents and copies, new seal specimen and share certificates to the Company for registration. The new seal card will be replaced upon approval and will be effective on the next day of completed registration. When preceding replacement of seal specimen is entrusted to others or managed by communication, the individual shareholder shall also have the seal certificate issued by the Householder Registration Office enclosed; while the application shall be enclosed by the corporate shareholders.

Article 10: No transfer of share certificates shall be permitted within 60 days prior to regular shareholders' meeting, 30 days prior to a special shareholders' meeting, or within 5 days prior to the record day on which a dividend, bonus, or any other benefit is scheduled to be paid by the Company.

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

Article 11: The shareholders' meetings of the Company are divided into two types as follows:

Regular meetings shall be convened by the Board of Directors within 6 months after the close of each fiscal year. Special meetings shall be convened pursuant to Company Act as necessary.

Article 12: The notice and announcement of regular shareholders' meeting shall be given to shareholders within 30 days in

advance, while the notice and announcement of the special shareholders' meetings shall be given to shareholders within 15 days in advance. The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Article 13: The Chairman of the Board of Directors shall preside over the shareholders' meetings. In the Chairman's absence, the Vice Chairman shall act on his behalf. In the absence of in case that the Vice Chairman is unable to exercise rights for causes, the Chairman of the Board of Directors shall designate one Managing Director to act on his behalf.

Article 14: Each share of stock owned by shareholders shall be entitled for one vote, except for those shares without voting rights as set forth in Article 179, paragraph 2 of the Company Act.

Article 15: If a shareholder is unable to attend a meeting, who may sign and show the proxy with extinct scope of authorization issued and appoint a representative to attend it. Except for the trust business or stock affairs agency as approved by the competent securities authority, the voting rights of a shareholder representing two and more shareholders shall not exceed 3% of total shares issued and the voting shares exceeding the percentage will be excluded from the calculation. After the proxy is delivered to the Company, the shareholder shall give written notice of proxy cancellation at least two days before the meeting if the shareholder intends to attend the meeting in person or to exercise voting rights in writing or via electronic method. For cancellation beyond the deadline, the voting rights exercised by the proxy shall prevail.

Article 16: Resolution passed by Shareholders, such Shareholders holding not less than half of the Shares held by all Shareholders attending that meeting, and such meeting attended by Shareholders holding not less than half of all issued Shares of the Company.

Article 17: Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting. The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting. The electronic method may be adopted for the production and distribution of meeting minutes.

The resolutions of the shareholders' meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the chop of the chairman of the meeting. Such minutes, together with the attendance list and proxies, shall be filed and kept at least one year. If, however, minutes file a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation. The minutes shall be drafted in both the Chinese language and the English language.

The distribution of preceding meeting minutes may be replaced by the announcement made on the MOPS.

#### **Chapter 4 Directors**

Article 18: The Company shall have 11 to 15 directors, to be elected at the shareholders' meeting from the nominees listed in the roster of candidates under the candidate nomination system. The total number of shares held by the directors of the Company shall follow the rules promulgated by the competent securities authority.

The Company shall have three independent directors among the directors above. The matters regarding method of nomination and other matters shall be conducted in accordance with the Company Act and related regulations of competent securities authority.

The Company shall have the Audit Committee organized by all independent directors in accordance with Article 14-4 of the Securities Exchange Act. For matters regarding the



competence and related events, the Company shall follow the Securities Exchange Act and other relevant laws and regulations.

Article 19: The terms of office of directors shall be three years and they shall be eligible for re-election. Where the term of office expires before the closing date of the General Meeting of Shareholders in the last fiscal year of such term, the term of office shall be extended to the closing date of such General Meeting.

Article 20: When the number of Directors falls short by one-third of the total number of Directors elected, the Company shall convene a meeting for election of Directors within 60 days. In respect of a Director who is elected to fill a vacancy, the term of office of such Director shall not exceed the term that remained when the person who has ceased to be a Director ceased to hold.

Article 21: The directors constitute the Board of Directors and shall elect at least three Managing Directors, which shall not more than one-third of total number of the directors. At least one of the Managing Directors shall be an independent director. Meanwhile, the Managing Directors shall elect among them a Chairman and a vice Chairman by way of preceding election. The Chairman shall represent the Company.

The directors shall attend meeting in person. Except for regulations provided otherwise by the Company Act for directors living abroad, if any Director of the Board of the Company cannot attend the meeting for causes, he may issue a written proxy to other directors for attending the meeting. However, a director may accept the appointment to act as the proxy with extinct extent of authorization of one other director only. In case a meeting of the Board of Directors is proceeded via visual communication network, then the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.

In calling a meeting of the Board of Directors, the notice with

reasons specified shall be given to all directors within 7 days in advance. However, the meeting may be convened anytime for emergency events. The notice of the meeting of the Board of Directors may be made in writing, email or facsimile.

Article 22: Directors shall participate in the resolution of company operational guidelines and other important issue. The Chairman of the Board of Directors shall preside of the meeting of the Board of Directors. In the absence of the Chairman, the Board of Directors shall act according to the preceding paragraph.

Determine the procurement and disposition of important properties of the Company is not include in the aforesaid other important issue.

The Board of the Directors may authorize the Chairman to exercise functions of the Board during the adjourned period. Except for the material interest or related parties transactions involved to be resolved by the Board of Directors pursuant to the laws of related articles, the content of authorization is as follows:

1. Approve all important contracts.
2. Approve the mortgage loan of real estate and other loans.
3. Approve acquisition or disposal of the general assets and real estate.
4. Assign the directors and supervisors of the investee.
5. Approve the record date of capital increment or reduction and divided distribution.

Article 23: The resolutions of the Board of Directors of the Company shall be adopted by a majority vote of the shareholders' present, who represent more than one-half of the total number of voting shares.

Article 24: (deleted)

Article 25: (deleted)

Article 26: (deleted)

Article 27: The Board of Directors is authorized to determine the

compensation of directors according to their degree of participation and contribution with normal standard in the same industry.

The Company may obtain directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of directorship.

### **Chapter 5 Managers**

Article 28: The Company may have managers. The employment, discharge and compensation shall be managed in accordance with Article 29 of the Company Act.

Article 29: Managers enforce the resolutions of the Board of Directors. A managerial personnel of a company shall not concurrently act as a managerial personnel of another company, nor shall he/she operate, for the benefit of his/her own or others, any business which is the same as that of the company employs him/her, unless otherwise concurred in by the Board of Directors.

### **Chapter 6 Accounting**

Article 30: The fiscal year of the Company shall be from January 1 to December 31 every year. After the close of each fiscal year, the Board of Directors shall prepare following statements and records and submit the same to the general meeting of shareholders for ratification:

- 1.The business report;
- 2.The financial statements; and
- 3.The surplus earning distribution or loss off-setting proposals.

Article 31: When allocating the net profits for each fiscal year, the Company shall set aside 0.05% to 0.5% of the balance of pre-tax profit prior to deducting employees compensation as compensation of employees. However, the Company's accumulated losses shall have been covered.

The resolution of employees compensation pursuant to Article 235-1 of the Company Act.

Article 32: Where there is surplus of the annual final account, when

allocating the net profits for each fiscal year, the Company shall first pay its income tax and offset its prior years' accumulated losses and set aside 10% legal capital reserve and special earning reserve as necessary followed by the dividend. For remaining surplus incorporated with the accumulated earning in previous years, the Board of Directors shall prepare the proposal concerning the appropriation of net profits and submit the same to the shareholders' meeting for resolution.

Preceding special earning reserves include:

- 1.The earning reserved recognized for special purpose
2. Investment income recognized under the equity method
- 3.The net assessment income recognized due to financial product transactions, however, when the accumulated amount is reduced, the equal amount of special earning reserve shall be reduced simultaneously and up to the reserved number.
4. Other special earning reserve pursuant to laws and regulations

The Company is in matured phase of business cycle with stable profit every year. The dividend policies adopt the combination of cash dividend, capital increment by earning and by capital reserve. At least 50% of distributable earning deducted by the legal and special reserve shall be distributed, and the cash dividend shall be prioritized. Meanwhile, the percentage of capital increment by earning and capital reserve shall not exceed 50% of all dividend in that year.

Article 33: Matters not provided for in these Articles of Incorporation shall be governed by the Company Act and other relevant laws.

### **Chapter 7 Additional provision**

Article 34: These Articles of Incorporation were adopted on Oct.28, 1964. The 1st Amendment was on May 10,1966, 2nd Amendment on May 31, 1967, 3rd Amendment on Jan. 30, 1968, 4th Amendment on Sept. 29, 1969, 5th Amendment on

July 30, 1970, 6th Amendment on Aug. 20, 1971, 7th Amendment on May 20, 1972, 8th Amendment on June 30, 1973, 9th Amendment on June 26, 1974, 10th Amendment on June 20, 1975, 11th Amendment on June 15, 1976, 12th Amendment on June 15, 1977, 13th Amendment on June 15, 1978, 14th Amendment on June 15, 1979, 15th Amendment on June 16, 1980, 16th Amendment on June 15, 1981, 17th Amendment on June 15, 1982, 18th Amendment on June 16, 1983, 19th Amendment on June 15, 1984, 20th Amendment on May 23, 1985, 21st Amendment on May 25, 1986, 22nd Amendment on Mar. 8, 1987, 23rd Amendment on May 12, 1988, 24th Amendment on May 20, 1989, 25th Amendment on May 11, 1990, 26th Amendment on May 14, 1991, 27th Amendment on May 14, 1992, 28th Amendment on May 10, 1994, 29th Amendment on May 12, 1995, 30th Amendment on May 22, 1996, 31st Amendment on May 28, 1997, 32nd Amendment on June 12, 1998, 33rd Amendment on May 12, 1999, 34th Amendment on May 10, 2000, 35th Amendment on May 10, 2001, 36th Amendment on June 7, 2002, 37th Amendment on May 29, 2003, 38th Amendment on May 28, 2004, 39th Amendment on June 10, 2005, 40th Amendment on June 16, 2006, 41st Amendment on June 8, 2007, 42nd Amendment on June 6, 2008, 43rd Amendment on June 19, 2009, 44th Amendment on June 18, 2010, 45th Amendment on June 15, 2012, 46th Amendment on June 17, 2013, 47th Amendment on June 16, 2014, 48th Amendment. The articles in related with addition of Audit Committee and deletion of Supervisors will be applied upon the expiry of the term of office of Supervisors selected in the shareholders' meeting on June 15, 2012. The 49th Amendment on June 16, 2015, 50th Amendment on June 7, 2016, 51th Amendment on June 15, 2018.

# **Procedures for Acquisition or Disposal of Assets of Formosa Chemicals and Fibre Corporation**

Amended by the Annual Shareholders' Meeting on June 5, 2019

## **Chapter 1 General Provisions**

Article 1: When acquiring or disposing of the following assets, Formosa Chemicals & Fibre Corporation (hereinafter referred to as the “Company”) and its subsidiaries shall follow the Procedures for Acquisition or Disposal of Assets (hereinafter referred to as the “Procedures”):

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

Article 2: The limit amount of investments for non-operating real property and right-of-use assets or securities (the original investment), by the Company and each subsidiary, shall not exceed 60% of the book value of total assets; for an individual securities investment, the limit amount shall not exceed 50% of the foresaid limit amount, i.e. 30% of the book value of total assets.

Article 3: Terms used in these Procedures are defined as follows:

1. Derivatives: Forward contracts, options contracts, futures

contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, post-sales service contracts, long-term leasing contracts, and long-term purchase (sales) contracts.

2. Assets acquired or disposed through mergers, demergers, acquisitions, or assignment of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act and other acts, or to shares acquired from another company through issuance of new shares of its own as the consideration therefor (hereinafter "acquisition of shares") under Article 156-3 of the Company Act.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. Mainland China area investment: Refers to investments in

the Mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 4: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions in relation to the assets acquired or disposed, shall meet the following requirements:

1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
2. May not be a related party or de facto related party of the Company.
3. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

Article 5: The procedures for the assessment, determination of transaction terms and conditions, and price of acquiring or disposing of assets by the Company shall be in accordance with the following requirements:

1. Transactions relating to short-term securities investments and derivatives, which are mentioned in Article 1, should be assessed and executed by the financial department; long-term securities investment should be assessed by the Company's



President Office (“President Office”) and executed by the financial department after the approval; except for the foresaid assets, the other asset transactions should be assessed by the Company’s President Office and executed by the related departments after the approval.

2.The price of transactions described in the preceding paragraph, except which are traded in the centralized securities exchange market or on over-the-counter markets, shall be determined via public bidding, price bidding, or price negotiation based on reference to the market conditions.

Article 6: Where an acquisition or disposition of assets of the Company shall be approved by the Board of Directors according to the Procedures or other relevant laws, the independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.

A major asset transaction or a major derivatives transaction shall be approved by more than half of all audit committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all audit committee members is not obtained, the procedures may be implemented if approved by 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 meeting.

## **Chapter 2 Acquisition or Disposal of Assets**

Article 7: In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government institution, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be proposed for approval in advance by the Board of Directors; the same procedure shall also be followed for any subsequent changes to the terms and conditions of the transaction.
2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation of Republic of China (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - (1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - (2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

- Article 8: The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the securities competent authority.
- Article 9: In acquiring or disposing of intangible assets or right-of-use assets thereof or membership cards where the transaction amount reaches 20 percent or more of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government institution, shall obtain a CPA's opinion on the reasonableness of the transaction price prior to the date of occurrence of the event. The CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation.
- Article 10: The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with paragraph 2 of Article 28, herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.
- Article 11: Where the Company acquires or disposes of assets through

court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Article 12: Where the Company acquires or disposes of assets shall be conducted by the authorization to the Chairman by the Board of Directors in accordance with the authorization limits of the Company.

### **Chapter 3 Related Party Transactions**

Article 13: When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised in compliance with the provisions of the Chapter 2 and this Chapter, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Chapter 2.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 10.

Article 14: When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.

2. The reason for choosing the related party as a trading counterparty.
3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 15 through 17.
4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
7. Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with paragraph 2 of Article 28 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors need not be counted toward the transaction amount.

With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's Board of Directors may pursuant to Article 12, delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently proposed to and ratified by the next Board of Directors meeting:

1. Acquisition or disposal of equipment or right-of-use assets

thereof held for business use.

2. Acquisition or disposal of real property right-of-use assets held for business use.

When a matter is proposed for discussion by the Board of Directors pursuant to paragraph 1 of this Article, the independent Directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.

The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved by 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 meeting.

Article 15: The Company shall evaluate the reasonableness of the transaction costs by the following means if it intends to acquire real property or right-of-use assets thereof from a related party:

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

Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

When acquiring real property or right-of-use assets thereof from a related party, the Company shall evaluate the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs and shall also engage a CPA to review the evaluation and render a specific opinion.

Article 16: Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 14, and Article 15 does not apply:

1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
2. More than 5 years have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
4. The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

Article 17: When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of Article 15 are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 18. However, where the following circumstances exist, and objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a

CPA, Article 16 shall not apply:

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

Transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with



a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or right-of-use assets thereof.

Article 18: Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the preceding three Articles are uniformly lower than the transaction price, the following steps shall be taken:

1. A special earnings reserve shall be set aside in accordance with paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real property or right-of-use assets thereof transaction price and the appraised cost, and such difference may not be distributed or used for capital increase by issuance of new shares. Where the Company uses the equity method to account for its investment in another company, then the special earnings reserve called for under paragraph 1 of Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
2. Audit Committee shall supervise the Company's execution of the aforesaid matter.
3. Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

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

the securities competent authority has given its consent.

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

#### **Chapter 4 Engaging in Derivatives Trading**

Article 19: Any derivatives trading of the Company shall be conducted in accordance with the "Procedures for Engaging in Derivatives Transactions" of the Company, and when doing so, the Company shall pay attention to issues of risk management and auditing to fulfill the Internal Control System of the Company.

#### **Chapter 5 Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares**

Article 20: The Company that conducts a merger, demerger, acquisition, or assignment of shares shall, prior to convening the Board of Directors to resolve on the matter, engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and propose the opinion to the Board of Directors for deliberation and approval. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

Article 21: The Company participating in a merger, demerger, or acquisition shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting, together with the expert opinion referred to in Article 20 when sending notice of the shareholders meeting, for

reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the Company shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

Article 22: When the Company participates in a merger, demerger, or acquisition, it shall convene a board of directors meeting and shareholders meeting on the same date on which the other companies participating in the merger, demerger, or acquisition convene their board of directors and shareholders meeting to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the securities competent authority is notified in advance of extraordinary circumstances and grants consent.

The Company and other companies participating in an assignment of shares shall call their respective board of directors meeting on the same day, unless another act provides otherwise or the securities competent authority is notified in advance of extraordinary circumstances and grants consent.

When the Company participates in a merger, demerger, acquisition, or assignment of shares, it shall prepare a full written record of the following information and retain the record for 5 years for reference. In addition, the information set out in the subparagraphs 1 and 2 of the following paragraph shall be reported in the prescribed format and via the Internet-based information system to the securities competent authority for recordation within two days commencing immediately from the date of passage of a resolution by the Board of

Directors.

1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or assignment of shares prior to disclosure of the information.
2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the engagement of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

Where the Company participating in a merger, demerger, acquisition, or assignment of shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall enter into an agreement with such party and shall comply with the preceding paragraph of this Article.

Article 23: Every person participating in or privy to the plan for merger, demerger, acquisition, or assignment of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or assignment of shares.

Article 24: When participating in a merger, demerger, acquisition, or assignment of shares, the Company shall not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or assignment of shares:

1. Capital increase by cash injection, issuance of convertible

corporate bonds, or the issuance of stock dividend, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.

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

Article 25: The contract for participation by the Company in a merger, demerger, acquisition, or assignment of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or assignment of shares, and shall also record the following:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline

without completion, and relevant procedures.

Article 26: After public disclosure of the information, if the Company participating in the merger, demerger, acquisition, or assignment of shares intends further to carry out a merger, demerger, acquisition, or assignment of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or assignment of share ; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

Article 27: Where any of the companies participating in a merger, demerger, acquisition, or assignment of shares is not a public company, the Company shall sign an agreement with the non-public company in accordance with the provisions of Article 22, Article 23, and Article 26.

### **Chapter 6 Public Disclosure of Information**

Article 28: Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the securities competent authority's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:

1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and

resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.

2. Merger, demerger, acquisition, or assignment of shares.
3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
4. Where equipment/machinery or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the trading counterparty is not a related party, and the transaction amount is more than NT\$1 billion.
5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the trading counterparty is not a related party, and the amount the Company expects to invest in the transaction is more than NT\$500 million.
6. An asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area where the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, provided this shall not apply to the following circumstances:
  - (1) Trading of domestic government bonds.
  - (2) Trading of bonds under repurchase/resale agreements or the subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.

3. The cumulative transaction amount of real property or right-of-use assets thereof acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" as used in the paragraph 2 refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.

Article 29: When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days from the date when is the Company becomes aware of the error or omission.

Article 30: The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.

Article 31: Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding three Articles, a public report of relevant information shall be made on the information reporting website designated by the securities competent authority within 2 days commencing immediately from the date of occurrence of the event:

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



information.

## **Chapter 7 Additional Provisions**

Article 32: Information required to be publicly announced and reported in accordance with the provisions of the preceding Chapter on acquisitions and disposals of assets by a subsidiary of the Company that is not a public company in Taiwan shall be reported by the Company.

The paid-in capital or total assets of the Company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to the threshold requiring a public announcement and regulatory filing under paragraph 1 of Article 28.

Article 33: The Company's controlling and monitoring procedures towards the acquisition or disposal of assets by its subsidiaries are as follows:

1. The Company shall urge its subsidiaries to establish and execute their own "Procedures for Acquisition or Disposal of Assets".
2. If any material violation is found by the internal auditors of the subsidiaries, the subsidiaries shall deliver a written notice to the Company of this kind of violation. The Company shall know the condition of dealing with the violation(s) and of the resulting improvements.

Article 34: Should there be any violation of the procedures when the persons-in-charge of the Company deal with acquisition or disposal of assets, subsequent penalization is subject to the relevant HR policies of the Company.

Article 35: For the calculation of 10 percent of total assets under the Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

Article 36: The Procedures shall be approved by the Board of Directors and submitted to the Shareholders Meeting for approval before its implementation. Any amendment is subject to the same

procedure. The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.

The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the procedures may be implemented if approved by 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 meeting.

# **Rules of Procedure for Shareholders' Meetings of Formosa Chemicals & Fibre Corporation**

Amended by the Annual Shareholders' Meeting on July 23, 2021

- Article 1: To establish a strong governance system and sound supervisory capabilities for the Company's shareholders' meetings, and to strengthen management capabilities, these Rules are adopted pursuant to the Corporate Governance Best Practice Principles for Taiwan Stock Exchange Corp ("TWSE")/ Taipei Exchange ("TPEX") Listed Companies.
- Article 2: 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 these Rules.
- Article 3: Unless otherwise provided by law or regulation, the Company's Shareholders' Meetings shall be convened by the Board of Directors.

A notice to convene an annual shareholders' meeting shall be given to each shareholder no later than 30 days prior to the scheduled meeting date; while a notice may be given to registered shareholders who own less than 1,000 shares of nominal stocks no later than 30 days prior to the scheduled meeting date in the form of a public announcement on the Market Observation Post System (MOPS) of the TWSE. A notice to convene a special shareholders' meeting shall be given to each shareholders no later than 15 days prior to the scheduled meeting date. A public notice may be given to registered shareholders who own less than 1,000 shares of nominal stocks no later than 15 days prior to the scheduled meeting date in the form of a public announcement on the MOPS of the TWSE.

To convene a shareholders' meeting, the Company shall prepare a meeting handbook. The Company shall prepare electronic versions of a shareholders' meeting notice and proxy forms, and

causes of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the MOPS no later than 30 days prior to the scheduled Annual Shareholders' Meeting date or no later than 15 days prior to the scheduled Special Shareholders' Meeting date. The Company shall prepare electronic versions of a shareholders' meeting handbook and supplemental meeting materials and upload them to the MOPS no later than 21 days prior to the scheduled Annual Shareholders' Meeting date or no later than 15 days prior to the scheduled Special Shareholders' Meeting date. In addition, the Company shall also have prepared a shareholders' meeting handbook and supplemental meeting materials and made them available for review by shareholders at any time no later than 15 days prior to the scheduled Shareholders' Meeting date. The Meeting Agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent engaged by the Company as well as being distributed on-site at the meeting place.

The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of directors, amendments to the Articles of Incorporation, capital reduction, application to be delisted from public offering, lifting of non-competition restriction of directors, capital increase by retained earnings, capital increase by capital reserve, dissolution, merger, or demerger of the corporation, or any matter under Paragraph 1 of Article 185 of the Company Act, Articles 26-1 and 43-6 of the Securities Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extraordinary motion.

Where the meeting agenda has specified general re-elections of the directors and the terms of the directors' office, the terms of office of the directors shall not be altered by raising an extraordinary motion or any other method upon the completion of the general elections at the shareholders' meeting.

A shareholder holding 1 percent or more of the total number of issued shares may submit to the Company a proposal for discussion at an annual 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. In addition, when the circumstances of any subparagraph of paragraph 4 of 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. A shareholder may propose a recommendation for urging the corporation to promote public interests or fulfill social responsibilities, and the providing procedure shall be in accordance with Article 172-1 of the Company Act.

Prior to the book closure date before an annual shareholders' meeting is held, the Company shall publicly announce that it will receive shareholder proposals, the method of receiving such proposals (whether written or in electronic form), and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the Annual Shareholders' Meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a shareholders' meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the

provisions of this article. At the Shareholders' Meeting the Board of Directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

Article 4: For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the power authorized to the proxy.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to the Company no later than 5 days prior to the Shareholders' Meeting date. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to revoke the previous proxy appointment.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights in writing or by way of electronic transmission, a written notice of proxy rescission shall be submitted to the Company no later than 2 days prior to the meeting date. If the rescission notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Article 5: The venue for a shareholders' meeting shall be the premises of 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.

Article 6: 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.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to

handle the registrations.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.

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

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Article 7: If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman. When the Chairman is on leave or for any reason unable to exercise the powers of the Chairman, the Vice Chairman shall act in place of the Chairman; if there is no Vice Chairman or the Vice Chairman also is on leave or for any reason unable to exercise the powers of the Vice Chairman, the Chairman shall appoint one of the Managing Director to act as chair, or, if there are no Managing Directors, one of the Directors shall be appointed to act as chair. Where the Chairman does not make such a designation, the Managing Directors or the Directors shall select from among themselves one person to serve as chair.

When a Managing Director or a Director serves as chair, as referred to in the preceding paragraph, the Managing Director or Director shall be one who has held that position for 6 months or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic person director that serves as chair.

It is advisable that shareholders' meetings convened by the Board

of Directors be chaired by the Chairman, and the Chairman who chairs the way can appoint the Vice Chairman, Managing Director or Director of familiar company's business to direct the proceeding agenda of shareholders' meeting, that a majority of the Directors attend in person, and that at least one member of each functional committee attend as representative. Attendance details should be recorded in the Shareholders Meeting minutes. If a shareholders' meeting is convened by a party having the convening right but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

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.

Article 8: The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders' meeting, and the voting and vote counting procedures.

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

Article 9: Quorum at shareholders' meetings shall be calculated based on numbers of shares. The quorum shall be calculated according to the shares indicated by the sign-in cards handed in plus the number of shares whose voting rights are exercised in writing or by way of electronic transmission.

The Chair shall call the meeting to order at the appointed meeting time, and meanwhile shall announce the related information about the total number of shares held by shareholders having no voting right and the total number of shares represented by the



shareholders present at the meeting.

However, when the attending shareholders do not represent a majority of the total number of issued shares, the Chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the Chair shall declare the meeting adjourned.

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

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

Article 10: If a shareholders' meeting is convened by the Board of Director, the meeting agenda shall be set by the Board of Directors. The relevant proposals (including extraordinary motions and amendment to original proposals) shall be decided by voting on a case-by-case basis. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders' meeting convened by a party having the convening right that is not the Board of Directors.

The Chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions),

except by a resolution of the shareholders' meeting. If the Chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by a majority of the votes represented by the attending shareholders, and then continue the meeting.

The Chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the Chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the Chair may announce the discussion closed and shall also arrange ample time for a vote.

Article 11: Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name.

The order in which shareholders speak will be set by the Chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken.

When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

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

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

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

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

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

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

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

In case a director of the Company has created a pledge on the Company's shares more than half of the Company's shares being held by him/her/it at the time he/she/it is elected, the voting power of the excessive portion of shares shall not be exercised.

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

With the exception of a trust enterprise or a stock agency approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of voting shares, otherwise, the portion of excessive voting rights shall not be counted.

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

When the Company convenes a shareholders' meeting, shareholders shall exercise their voting rights by electronic

means and may exercise their voting rights in writing. When voting rights are exercised in writing or by way of electronic transmission, the method for exercising the voting rights shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights in writing or by way of electronic transmission 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 in writing or by way of electronic transmission under the preceding paragraph shall deliver a written declaration of intent to the Company no later than 2 days prior to the scheduled shareholders' meeting date. When duplicate declarations of intent are delivered, the one received earliest by the Company shall prevail, except when a declaration is made to revoke the earlier declaration of intention.

After a shareholder has exercised voting rights in writing or by way of electronic transmission, in the event the shareholder intends to attend the shareholders' meeting in person, a written declaration of intent to rescind the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, no later than 2 days prior to the scheduled shareholders' meeting date. If the notice of rescission is submitted after that time, the voting rights already exercised in writing or by way of electronic transmission shall prevail. When a shareholder has exercised voting rights both in writing or by way of electronic transmission and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the adoption 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 announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

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

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the Chair, provided that all monitoring personnel shall be shareholders of 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, shall be announced on-site at the meeting, and a record made of the vote.

In addition to the proposals on the meeting agenda, when a shareholder wishes to propose an extraordinary motion, the shareholder's voting rights shall represent at least 1% or more of the Company's total issued shares.

Article 14: The election of directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected and not elected as directors, and the numbers of votes with which they were elected and not elected.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the

Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 15: Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the Chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.

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 accurately record the year, month, day, and place of the meeting, the Chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results (including the weight of the votes), and the number of weighted votes each candidate received in case of a Directors' elections, and shall be retained for the duration of the existence of the Company.

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

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

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

The 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."

At the place of a shareholders' meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the Chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the Chair's correction, obstructing the proceedings and refusing to heed calls to stop, the Chair may direct the proctors or security personnel to escort the shareholder from the meeting.

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

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

A resolution may be adopted at a shareholders' meeting to postpone or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 19: These Rules and any amendments hereto, shall be implemented after adoption by shareholders' meetings.

## Formosa Chemicals & Fibre Corporation

### Current Shareholdings of Directors

Title	Name	Shareholding (share)
Chairman	Fu Yuan, Hong	272,804
Managing Director	Wen Yuan, Wong	129,198,084
Managing Director	Wilfred, Wang	16,867,218
Managing Director	Nan Ya Plastics Corporation Representative: Ruey Yu, Wang	140,519,648
Managing Director (Independent Director)	Ruey Long, Chen	0
Independent Director	Hwei Chen, Huang	0
Independent Director	Tai Lang, Chien	0
Director	Formosa Petrochemical Corporation Representative: Walter Wang	48,567,575
Director	Wen Chin, Lu	3,236
Director	Ing Dar, Fang	73
Director	Ching Fen, Lee	0
Director	Tsung Yuan, Chang	0
Director	Wei Keng, Chien	0
Director	Chun Hsiung, Su	359
Director	Horng Ming, Juang	2,626

Note: According to Article 26 of Securities and Exchange Act, the minimum shareholdings of the Company's Directors are 93,778,981 shares. As of April 10, 2022, the actual shareholdings of the Company's Directors are 335,431,623 shares.