



彰源企業股份有限公司

FROCH ENTERPRISE CO., LTD.

Meeting Minutes of the 2023 Annual General Meeting of Shareholders

Mode of Meeting: In-person shareholders' meeting

Time: 9:00 am, June 15, 2023 (Thursday).

Venue: No. 7, Dougong 10th Road (Douliu Industrial Park Service Center), Tou-Liu City, Yun-Lin County.

Meeting Procedure:

- I. Report on the number of shares represented by attending shareholders
- II. Commencement of meeting
- III. Chairman's opening remarks
- IV. Reports
 1. Report on 2022 business performance
 2. Audit Committee's review of the 2022 year-end accounts
 3. Report on the allocation of 2022 employee and director remuneration
 4. Report on the allocation of 2022 cash dividends
 5. Report of the Company's amendment on "Corporate Governance Best Practice Principles"
 6. Report of the Company's amendment on "Board of Directors Conference Rules"
- V. Ratifications
 1. Ratification of 2022 business report and year-end accounts
 2. Ratification of 2022 earnings appropriation
- VI. Discussions
 1. Discussion on the amendment of the Company's "Articles of Incorporation"
- VII. Other Business and Special Motions
- VIII. Adjournment

One. Reports

Motion 1

Subject: Report on 2022 business performance; as presented.

Explanatory Notes: Please refer to Appendix 1 of this handbook for the business report.

Motion 2

Subject: Audit Committee's review of the 2022 year-end accounts, as presented.

Explanatory Notes: Please refer to Appendix 2 of this handbook for Audit Committee's review report.

Motion 3

Subject: Report on the allocation of 2022 employee and director remuneration, as presented.

Explanatory Notes: Please refer to Appendix 4 of this handbook for Allocation of 2022 Employee and Director Remuneration.

Motion 4

Subject: Report on the allocation of 2022 cash dividends; as presented.

Explanatory Notes:

1. It is based on Article 38-1 of the Company's "Articles of Incorporation", authorizing the board of directors to make a resolution to distribute all or part of the dividends and bonuses in cash and report to the shareholders' meeting.
2. It is proposed to distribute a cash dividend of NT\$ 1.50 per share, totaling NT\$ 420,789,041. Upon completion of the shareholders' meeting, the board of directors is authorized to establish a cash dividend distribution basis and other related matters. On the distribution date of cash dividends (distributed up to NTD, rounded down below NTD), the total amount of odd amounts distributed less than NT\$ 1 shall be included in the Company's other income.
3. When the Company's relevant equity interests change and affect its total number of outstanding shares, it shall propose to the shareholders' meeting for authorizing the board of directors to adjust the shareholders' dividend distribution ratio based on the Company's number of outstanding shares on the dividend distribution date, in accordance with the total amount of surplus proposed to be distributed for ordinary shares as determined by the resolution of the present case.

Motion 5

Subject: Report on the amendment of the Company's "Corporate Governance Best Practice Principles", as presented.

Explanatory Notes: Please refer to Appendix 5 of this handbook for Comparison Table of Existing and Revised "Corporate Governance Best Practice Principles".

Motion 6

Subject: Report on the amendment of the Company's "Board of Directors Conference Rules", as presented.

Explanatory Notes: Please refer to Appendix 6 of this handbook for Comparison Table of Existing and Revised "Board of Directors Conference Rules"

Two. Ratifications

Motion 1

(Proposed by the board of directors)

Subject: Ratification of the 2022 business report and year-end accounts, as presented.

Explanatory Notes: 1. The Company has finished preparation of its 2022 year-end accounts including Business Report, individual financial statements and consolidated financial statements. All above statements have been audited by certified public accountants and reviewed by the Audit Committee, and are hereby presented for ratification in shareholders' meeting.

2. Please refer to Appendices 1, 2, and 3 of this handbook for the Business Report, the Audit Committee's Review Report, and the aforementioned financial statements, respectively.

Resolution:

The attending number of voting power is 190,952,333, among which 187,300,834 (including 91,607,010 voted electronically) are in agreement (98.08%); 250,560 (including 250,560 voted electronically) are in objection; 3,400,939 (including 3,399,939 voted electronically) are in abstention. In agreement votes have passed the legal threshold, and no question has been raised by shareholders. This motion is approved.

Motion 2

(Proposed by the board of directors)

Subject: Ratification of the Company's 2022 earnings appropriation, as presented.

Explanatory Notes: 1. Please refer to Appendix 7 of this handbook for the 2022 earnings appropriation chart.

Resolution:

The attending number of voting power is 190,952,333, among which 187,519,971 (including 91,826,147 voted electronically) are in agreement (98.20%); 243,562 (including 243,562 voted electronically) are in objection; 3,188,800 (including 3,187,800 voted electronically) are in abstention. In agreement votes have passed the legal threshold, and no question has been raised by shareholders. This motion is approved.

Three. Discussions

Motion 1

(Proposed by the board of directors)

Subject: Amendments to the Company's "Articles of Incorporation"; as presented for discussion.

Explanatory Notes: Please refer to Appendix 10 of this handbook for the Comparison Table of Existing and Revised "Articles of Incorporation".

Resolution:

The attending number of voting power is 190,952,333, among which 187,495,086 (including 91,801,262 voted electronically) are in agreement (98.18%); 254,739 (including 254,739 voted electronically) are in objection; 3,202,508 (including 3,201,508 voted electronically) are in abstention. In agreement votes have passed the

legal threshold, and no question has been raised by shareholders. This motion is approved.

Four. Other Business and Special Motions: None

Five. Adjournment: 9:35am

The 2022 Business Report

The Company is primarily involved in the production and the sales of stainless steel tubes and pipes and stainless steel sheets and coils. The Company sold 77,596 tonnes of stainless steel tubes and pipes in 2022, decline 6.47% from the previous year, and 36,881 tonnes of stainless steel sheets and coils in 2022, decline 18.54% from the previous year. 49% of products were sold domestically while the other 51% were exported, with Americas, Europe, and Asia making up the majority of the export destinations. The Company adopts a sales strategy that focuses on long-term relations, diversified markets, diversified customers, and overall risk reduction.

The price of nickel in 2022 continued their upward trend in 2021. Due to market fluctuations, nickel prices rose all the way to a historical high of US\$100,000 per ton, but returned to about US\$30,000 per ton and oscillated in the range after the intervention from London Metal Exchange (LME). Large fluctuations in nickel price have caused wait-and-see and uncertainty on the demand side, affecting orders taking.

In the second half of the year, the U.S. government raised interest rates several times and shrunk its balance sheet to control inflation, which caused the trend of raw materials to decline and reduced the gross profit of the Company's products. All in all, compared 2022 with 2021, the overall nickel price in 2022 is higher than that in 2021, and the operating income is still growing positively despite the impact of the decline in sales quantity. Gross profit margin is subjected to fluctuations in the nickel price, which drops from 19% in 2021 to 15% in 2022. The following is the report of 2022 operating results and outlook for 2023:

I. 2022 Operating Results

(I) Results of Business Plans

Unit: NTD thousands

Products	2022 Performance	2021 Performance	Performance Comparison	Growth Rate %
Stainless Steel Tubes and Pipes	8,825,661	7,825,792	999,869	12.78
Stainless Steel Sheets and Coils	3,413,507	3,678,219	(264,712)	(7.20)
Others	32,269	36,828	(4,559)	(12.38)
Total Revenue	12,271,437	11,540,839	730,598	6.33

(II) Budget Execution

Unit: tonnes

Products	2022 Performance	2022 Forecast	Growth Rate %
Stainless Steel Tubes and Pipes	77,596	90,000	(13.78)
Stainless Steel Sheets and Coils	36,881	48,000	(23.16)
Tonnage Sold	114,477	138,000	(17.05)

(III) Profitability Analysis

Unit: NTD thousands

Aspects	2022	2021
Operating Profit to Paid-in Capital (%)	34.09	44.47
Pre-tax Income to Paid-up Capital (%)	34.15	53.76
Return on Assets (%)	6.72	10.74
Return on Shareholders' Equity (%)	14.56	27.18
Net Profit Margin (%)	6.04	10.44
Earnings per Share (NTD)	2.64	4.29

(IV) Income and Expenses

Unit: NTD thousands

Aspects	2022	2021	Variation	Note
Net Cash Inflow (Outflow) from Operating Activities	2,607,859	(707,893)	3,315,752	1
Net Cash Inflow (Outflow) from Investing Activities	(125,831)	(140,131)	(14,300)	2
Net Cash Inflow (Outflow) from Financing Activities	(2,540,668)	899,986	(3,440,654)	3

Note 1: Net cash inflow from operating activities increased mainly due to increase of inventory sales in the corresponding period.

Note 2: Net cash outflow from investing activities decreased mainly due to decrease of the prepayments for equipment in the period.

Note 3: Net cash outflow from financing activities increased mainly due to increase of repayments of the bank borrowings and the distribution of cash dividends.

(V) Research and Development

The Company's R&D efforts were primarily focused toward production procedure development, product quality improvement, operator techniques enhancement, and new product development. With respect to production procedure development, the Company either introduced advanced equipment and molds locally and abroad, or designed its own advanced equipment and molds to improve production technology, capability, and product quality.

For product quality improvement, the Company actively adopted various quality assurance management systems, and engaged the industry-academia cooperation in R&D projects to introduce smart devices to increase product quality. In terms of operator techniques enhancement, the Company not only assigned employees to various local and abroad conferences, but also invited experts from around the world to train employees to keep them up to date with the latest professional knowledge and technical levels. As for new product development, the Company actively conducted market surveys, introduced advanced equipment and molds locally and abroad, recruited professional talents for R&D, arranged intensive training for existing researchers, and actively tested and developed new product items.

In addition to the Company's ISO-9001 and ISO-14001 being certified by Lloyd's Register of Shipping in 1993 and 1999, respectively, the Company's quality assurance laboratory was also certified by Chinese National Laboratory Accreditation (CNLA) in 2001 (the same certificate in 2004 was issued by Taiwan Accreditation Foundation). With the professional x-ray examination report, The Company's large-diameter pipes could far outperform the competitors. The Company subsequently received quality certification from JIS in 2009, and acquired multiple certificates by TUV by 2014. This broad diversity of third-party certifications ensured the Company's products to conform with relevant specification requirements and benefits the sales development in various markets.

II. Summary of 2023 Business Plan

(I) Operational Guidelines and Strategies

1. Sales Plan:

(1) Increasing sales of stainless steel tubular products

The Company will continue the ongoing shift toward the sales of high value-adding products and expanding product line.

(2) The Company will proactively expand the export market and strive for major domestic investment orders, improve customer loyalty, disperse the market, and not be affected by a single industry or a single market prosperity.

2. Production Plan:

(1) Expanding and utilizing product categories

The Company is a professional manufacturer of stainless steel pipes. Expanding product categories and expanding the coverage of customer needs.

(2) Reducing costs and expenses

The Company will focus on making improvements to production procedures and controlling over the unit cost of associated equipment and secondary materials proactively. Consequently, the inventory turnover will be increased and the cost of capital on slow-moving inventory will be reduced.

3. Financial Structure Plan:

In addition to focusing on core businesses, the Company will make more adequate use of its assets for additional revenues and ease interest burden, to improve financial structure.

(II) Sales Forecast and Bases

1. The Company's sales forecast for 2023 is presented below:

Unit: tonnes

Item	Year	2023 Sales Forecast
Stainless Steel Tubes and Pipes		90,000
Stainless Steel Sheets and Coils		48,000
Total		138,000

2. Bases:

The nickel price was weakened in the second half of 2022. The price did not reverse upwards in 2022 and showed a stable trend in early 2023. China eventually reopened and the uncertainty of epidemic control will finally come to an end. Moreover, the US dollar interest rate hike is expected to come to an end. The overall market economy is expected to become optimistic, and the demand for stainless steel products will increase. As stated above, in the case of stable nickel price and stable stainless steel prices in 2023, the Company has a high degree of forecasting capacity over inventory and product prices. The Company's operations are cautiously optimistic. Meanwhile, the Company will continue its research and development of high value-adding products as a means to improve competitiveness and profitability.

The Company's core competitive advantage lies in its ability to develop high value-adding solutions and to develop advanced production processes ahead of competitors, such as in-line polishing of circular/rectangular tubes, in-line heat treatment, etc., which the Company has had significant success. From the product perspective, Froch has the most comprehensive product range to satisfy customers' diverse needs and deliver the ultimate one-stop shopping experience. In terms of sales channels, the Company has a global distribution network that serves thousands of domestic customers and sells to more than 100 countries worldwide. The Company's diversified market exposure helps its competitiveness, it also lessens regulatory and economic impacts of a single market.

(III) Key Production and Sales Policies:

In 2023, the Company will continue enhancing inventory management and inventory turnover and reducing production costs and expenses. Through optimizing production and sales, the Company is expected to gear up overall competitiveness and increase market share.

III. Impacts of the External Competitiveness Environment, Regulations, and Macroeconomies:

- (I) Public infrastructures and major private investments may affect the development of the stainless steel industry.
- (II) Demand for stainless steel may be affected by the macroeconomic environment situations.
- (III) The regulatory environment has less impact on company operations, relative to other factors.

Froch Enterprise Co., Ltd.

Audit Committee's Review Report

We have reviewed the Company's 2022 business report, financial statements (including individual and consolidated financial statements), and earnings appropriation proposal prepared by the Board of Directors. The financial statements (including individual and consolidated financial statements) have been audited by CPAs Ting-Chien Su and Li-Tong Wu of Deloitte & Touche Taiwan, with which they issued an independent auditor's report of unmodified opinion. The Audit Committee has found no misstatement in the above business reports, financial statements, or earnings appropriation. We hereby report as presented above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of The Company Act.

Hereby presented for approval.

The 2023 Annual General Meeting

Froch Enterprise Co., Ltd.

Audit Committee convener

March 14, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Froch Enterprise Co., Ltd.

Opinion

We have audited the accompanying financial statements of Froch Enterprise Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, 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, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the audit of the Company's financial statements as of and for the year ended December 31, 2022 is as follows:

Revenue Recognition

The Company's export sales revenue is affected by the distance or convenience of connection with customers, which makes the relevant revenue recognition procedures more complicated. A significant portion of export sales to customers for the year ended December 31, 2022 increased significantly compared to the previous year; therefore, we identified recognition of sales revenue as a key audit matter. Refer to Notes 4 and 17.

Our audit procedures performed in respect of revenue recognition included the following:

1. We obtained an understanding of the internal controls and evaluated the design and tested the continuous effectiveness of the implementation of internal controls related to the recognition of sales revenue and the operating procedures of sales collection during the year.
2. We obtained and selected samples of the export sales revenue receipts and vouched the documents to sales order and delivery of goods related to sales revenue and verified the occurrence of the sales revenue.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Ting-Chien Su and Lie-Dong Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2023

Notice to Readers

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

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

FROCH ENTERPRISE CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 437,777	4	\$ 495,862	4
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	22,376	-	16,095	-
Notes receivable (Notes 4, 8 and 17)	199,314	2	226,943	2
Trade receivables from unrelated parties (Notes 4, 8 and 17)	660,435	6	1,004,586	8
Trade receivables from related parties (Notes 4, 17 and 23)	32,315	-	24,504	-
Other receivables (Note 23)	29,409	-	66,873	-
Current tax assets (Notes 4 and 19)	-	-	14	-
Inventories (Notes 4 and 9)	3,296,833	29	4,941,126	37
Prepayments	58,629	1	37,344	-
Other current assets	200	-	818	-
Total current assets	<u>4,737,288</u>	<u>42</u>	<u>6,814,165</u>	<u>51</u>
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4 and 10)	3,100,492	28	3,025,506	23
Property, plant and equipment (Notes 4, 11 and 24)	3,220,923	29	3,219,692	24
Right-of-use assets (Notes 4, 12 and 23)	57,628	-	90,502	1
Deferred tax assets (Notes 4 and 19)	14,269	-	15,375	-
Prepayments for equipment	64,450	1	94,648	1
Refundable deposits (Note 23)	15,066	-	15,066	-
Total non-current assets	<u>6,472,828</u>	<u>58</u>	<u>6,460,789</u>	<u>49</u>
TOTAL	<u>\$ 11,210,116</u>	<u>100</u>	<u>\$ 13,274,954</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ 2,577,105	23	\$ 4,059,635	31
Contract liabilities - current (Notes 4 and 17)	163,666	1	250,280	2
Notes payable to unrelated parties	21,553	-	48,930	-
Notes payable to related parties (Note 23)	3,028	-	-	-
Trade payables to unrelated parties	16,476	-	135,265	1
Trade payables to related parties (Note 23)	20	-	-	-
Other payables (Notes 14 and 23)	173,842	2	272,754	2
Current tax liabilities (Notes 4 and 19)	219,230	2	214,947	2
Lease liabilities - current (Notes 4, 12 and 23)	34,620	-	33,774	-
Current portion of long-term borrowings (Notes 13 and 24)	557,474	5	465,094	3
Other current liabilities	2,079	-	5,425	-
Total current liabilities	<u>3,769,093</u>	<u>33</u>	<u>5,486,104</u>	<u>41</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13 and 24)	1,836,431	17	2,393,905	18
Deferred tax liabilities (Notes 4 and 19)	324,636	3	325,671	3
Lease liabilities - non-current (Notes 4, 12 and 23)	23,191	-	57,345	1
Net defined benefit liabilities - non-current (Notes 4 and 15)	26,420	-	56,116	-
Guarantee deposits (Note 23)	4,990	-	962	-
Total non-current liabilities	<u>2,215,668</u>	<u>20</u>	<u>2,833,999</u>	<u>22</u>
Total liabilities	<u>5,984,761</u>	<u>53</u>	<u>8,320,103</u>	<u>63</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Ordinary shares	2,805,260	25	2,805,260	21
Capital surplus	463,471	4	463,471	3
Retained earnings				
Legal reserve	329,028	3	208,546	2
Special reserve	249,968	2	230,890	2
Unappropriated earnings	1,547,654	14	1,496,652	11
Other equity	(170,026)	(1)	(249,968)	(2)
Total equity	<u>5,225,355</u>	<u>47</u>	<u>4,954,851</u>	<u>37</u>
TOTAL	<u>\$ 11,210,116</u>	<u>100</u>	<u>\$ 13,274,954</u>	<u>100</u>

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

FROCH ENTERPRISE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 17 and 23)	\$ 12,271,437	100	\$ 11,540,839	100
OPERATING COSTS (Notes 9, 18 and 23)	<u>10,483,654</u>	<u>85</u>	<u>9,389,280</u>	<u>81</u>
GROSS PROFIT	<u>1,787,783</u>	<u>15</u>	<u>2,151,559</u>	<u>19</u>
OPERATING EXPENSES (Notes 18 and 23)				
Selling and marketing expenses	664,276	6	722,875	6
General and administrative expenses	<u>167,119</u>	<u>1</u>	<u>181,287</u>	<u>2</u>
Total operating expenses	<u>831,395</u>	<u>7</u>	<u>904,162</u>	<u>8</u>
PROFIT FROM OPERATIONS	<u>956,388</u>	<u>8</u>	<u>1,247,397</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	1,529	-	244	-
Other income (Notes 18 and 23)	7,882	-	8,773	-
Other gains and losses (Note 18)	98,934	1	(3,134)	-
Finance costs (Notes 18 and 23)	(101,771)	(1)	(94,210)	(1)
Share of profit or loss of subsidiaries accounted for using the equity method (Notes 4 and 10)	<u>(4,956)</u>	<u>-</u>	<u>349,176</u>	<u>3</u>
Total non-operating income	<u>1,618</u>	<u>-</u>	<u>260,849</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	958,006	8	1,508,246	13
INCOME TAX EXPENSE (Notes 4 and 19)	<u>216,790</u>	<u>2</u>	<u>303,686</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>741,216</u>	<u>6</u>	<u>1,204,560</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 15)	12,997	-	329	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 19)	(2,599)	-	(66)	-

(Continued)

FROCH ENTERPRISE CO., LTD.

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2022		2021	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ 79,942	1	\$ (19,078)	-
Other comprehensive income (loss) for the year, net of income tax	90,340	1	(18,815)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 831,556	7	\$ 1,185,745	10
EARNINGS PER SHARE (Note 20)				
Basic	\$ 2.64		\$ 4.29	
Diluted	\$ 2.64		\$ 4.29	

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

(Concluded)

FROCH ENTERPRISE CO., LTD.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	Ordinary Shares (Note 16)	Capital Surplus (Note 16)	Retained Earnings (Note 16)			Other Equity	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	
BALANCE AT JANUARY 1, 2021	\$ 2,805,260	\$ 463,471	\$ 198,107	\$ 246,961	\$ 426,460	\$ (230,890)	\$ 3,909,369
Appropriation of 2020 earnings							
Legal reserve	-	-	10,439	-	(10,439)	-	-
Special reserve	-	-	-	(16,071)	16,071	-	-
Cash dividends distributed by the Company	-	-	-	-	(140,263)	-	(140,263)
Net profit for the year ended December 31, 2021	-	-	-	-	1,204,560	-	1,204,560
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	263	(19,078)	(18,815)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,204,823	(19,078)	1,185,745
BALANCE AT DECEMBER 31, 2021	2,805,260	463,471	208,546	230,890	1,496,652	(249,968)	4,954,851
Appropriation of 2021 earnings							
Legal reserve	-	-	120,482	-	(120,482)	-	-
Special reserve	-	-	-	19,078	(19,078)	-	-
Cash dividends distributed by the Company	-	-	-	-	(561,052)	-	(561,052)
Net profit for the year ended December 31, 2022	-	-	-	-	741,216	-	741,216
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	10,398	79,942	90,340
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	751,614	79,942	831,556
BALANCE AT DECEMBER 31, 2022	<u>\$ 2,805,260</u>	<u>\$ 463,471</u>	<u>\$ 329,028</u>	<u>\$ 249,968</u>	<u>\$ 1,547,654</u>	<u>\$ (170,026)</u>	<u>\$ 5,225,355</u>

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

FROCH ENTERPRISE CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 958,006	\$ 1,508,246
Adjustments for:		
Depreciation expense	158,963	156,417
Expected credit loss recognized (reversed) on trade receivables	(255)	3,720
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	2,340	(258)
Finance costs	101,771	94,210
Interest income	(1,529)	(244)
Share of loss (profit) of subsidiaries	4,956	(349,176)
Gain on disposal of property, plant and equipment	(120)	(125)
Write-down of inventories	21,618	-
Reversal of write-down of inventories	-	(3,198)
Net loss on foreign currency exchange	511	2,290
Gain on lease modification	(802)	(56)
Changes in operating assets and liabilities		
Notes receivable	27,908	(94,647)
Trade receivables	337,642	(393,992)
Other receivables	37,464	(35,537)
Inventories	1,622,675	(1,748,530)
Prepayments	(21,285)	1,595
Other current assets	618	(275)
Contract liabilities	(86,614)	120,863
Notes payable	(24,349)	37,971
Trade payables	(119,182)	7,960
Other payables	(76,949)	85,656
Other current liabilities	(3,346)	2,015
Net defined benefit liabilities	<u>(16,699)</u>	<u>(8,640)</u>
Cash generated from (used in) operations	2,923,342	(613,735)
Interest received	1,529	244
Interest paid	(101,991)	(93,795)
Income tax paid	<u>(215,021)</u>	<u>(607)</u>
Net cash generated from (used in) operating activities	<u>2,607,859</u>	<u>(707,893)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(8,621)	(14,019)
Proceeds from sale of financial assets at fair value through profit or loss	-	14,539
Payments for property, plant and equipment	(102,583)	(58,994)
Proceeds from disposal of property, plant and equipment	120	125
Increase in refundable deposits	-	(1,960)
Increase in prepayments for equipment	<u>(14,747)</u>	<u>(79,822)</u>
Net cash used in investing activities	<u>(125,831)</u>	<u>(140,131)</u>

(Continued)

FROCH ENTERPRISE CO., LTD.**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	\$(1,484,510)	\$ 1,432,889
Proceeds from long-term borrowings	-	100,000
Repayments of long-term borrowings	(465,094)	(458,425)
Proceeds from guarantee deposits received	4,028	227
Repayment of the principal portion of lease liabilities	(34,040)	(34,442)
Dividends paid to owners of the Company	<u>(561,052)</u>	<u>(140,263)</u>
Net cash generated from (used in) financing activities	<u>(2,540,668)</u>	<u>899,986</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>555</u>	<u>(3,442)</u>
NET INCREASE (DECREASE) IN CASH	(58,085)	48,520
CASH AT THE BEGINNING OF THE YEAR	<u>495,862</u>	<u>447,342</u>
CASH AT THE END OF THE YEAR	<u>\$ 437,777</u>	<u>\$ 495,862</u>

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

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Froch Enterprise Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Froch Enterprise Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of 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 consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the audit of the Group's consolidated financial statements as of and for the year ended December 31, 2022 is as follows:

Revenue Recognition

The Group's export sales revenue is affected by the distance or convenience of connection with customers, which makes the relevant revenue recognition procedures more complicated. A significant portion of export sales to customers for the year ended December 31, 2022 increased significantly compared to the previous year; therefore, we identified recognition of sales revenue as a key audit matter. Refer to Notes 4 and 17.

Our audit procedures performed in respect of revenue recognition included the following:

1. We obtained an understanding of the internal controls and evaluated the design and tested the continuous effectiveness of the implementation of internal controls related to the recognition of sales revenue and the operating procedures of sales collection during the year.
2. We obtained and selected samples of the export sales revenue receipts and vouched the documents to sales order and delivery of goods related to sales revenue and verified the occurrence of the sales revenue.

Other Matter

We have also audited the parent company only financial statements of Froch Enterprise Co., Ltd. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

We communicate with those charged with governance regarding, among other matters,

the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Ting-Chien Su and Lie-Dong Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2023

Notice to Readers

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

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 1,272,142	11	\$ 1,516,988	11
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	22,376	-	16,095	-
Notes receivable (Notes 4, 8 and 17)	416,430	4	413,489	3
Trade receivables from unrelated parties (Notes 4, 8 and 17)	768,921	6	1,208,432	8
Trade receivables from related parties (Notes 4, 17 and 23)	32,135	-	23,708	-
Other receivables (Notes 4 and 23)	28,376	-	66,176	-
Current tax assets (Notes 4 and 19)	3	-	14	-
Inventories (Notes 4 and 9)	4,707,954	39	6,146,464	43
Prepayments	167,568	1	156,173	1
Current financial assets (Notes 4, 6 and 24)	15,433	-	92,724	1
Other current assets	200	-	818	-
Total current assets	<u>7,431,538</u>	<u>61</u>	<u>9,641,081</u>	<u>67</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 11 and 24)	4,582,139	37	4,506,451	31
Right-of-use assets (Notes 4, 12 and 23)	85,001	1	120,764	1
Deferred tax assets (Notes 4 and 19)	14,269	-	15,375	-
Prepayments for equipment	94,443	1	128,715	1
Refundable deposits (Note 23)	16,731	-	16,774	-
Total non-current assets	<u>4,792,583</u>	<u>39</u>	<u>4,788,079</u>	<u>33</u>
TOTAL	<u>\$ 12,224,121</u>	<u>100</u>	<u>\$ 14,429,160</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ 3,375,563	28	\$ 4,945,398	34
Contract liabilities - current (Notes 4 and 17)	277,653	2	377,612	3
Notes payable to unrelated parties	21,553	-	48,930	-
Notes payables to related parties (Note 23)	3,028	-	-	-
Trade payables to unrelated parties	20,358	-	139,682	1
Other payables (Notes 14 and 23)	245,765	2	337,578	3
Current tax liabilities (Notes 4 and 19)	221,213	2	268,837	2
Lease liabilities - current (Notes 4, 12 and 23)	37,480	-	36,823	-
Current portion of long-term borrowings (Notes 13 and 24)	557,474	5	465,094	3
Other current liabilities	4,419	-	5,704	-
Total current liabilities	<u>4,764,506</u>	<u>39</u>	<u>6,625,658</u>	<u>46</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13 and 24)	1,836,431	15	2,393,905	17
Deferred tax liabilities (Notes 4 and 19)	324,636	3	325,671	2
Lease liabilities - non-current (Notes 4, 12 and 23)	25,976	-	62,117	1
Net defined benefit liabilities - non-current (Notes 4 and 15)	26,420	-	56,116	-
Guarantee deposits (Note 23)	20,797	-	10,842	-
Total non-current liabilities	<u>2,234,260</u>	<u>18</u>	<u>2,848,651</u>	<u>20</u>
Total liabilities	<u>6,998,766</u>	<u>57</u>	<u>9,474,309</u>	<u>66</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Ordinary shares	2,805,260	23	2,805,260	20
Capital surplus	463,471	4	463,471	3
Retained earnings				
Legal reserve	329,028	3	208,546	1
Special reserve	249,968	2	230,890	2
Unappropriated earnings	1,547,654	12	1,496,652	10
Other equity	(170,026)	(1)	(249,968)	(2)
Total equity	<u>5,225,355</u>	<u>43</u>	<u>4,954,851</u>	<u>34</u>
TOTAL	<u>\$ 12,224,121</u>	<u>100</u>	<u>\$ 14,429,160</u>	<u>100</u>

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 17 and 23)	\$ 16,247,991	100	\$ 15,238,772	100
OPERATING COSTS (Notes 9, 18 and 23)	<u>14,068,198</u>	<u>87</u>	<u>12,422,135</u>	<u>82</u>
GROSS PROFIT	<u>2,179,793</u>	<u>13</u>	<u>2,816,637</u>	<u>18</u>
OPERATING EXPENSES (Notes 18 and 23)				
Selling and marketing expenses	790,167	5	849,097	5
General and administrative expenses	<u>234,230</u>	<u>1</u>	<u>240,577</u>	<u>2</u>
Total operating expenses	<u>1,024,397</u>	<u>6</u>	<u>1,089,674</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>1,155,396</u>	<u>7</u>	<u>1,726,963</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	5,185	-	7,535	-
Other income (Notes 18 and 23)	13,950	-	14,337	-
Other gains and losses (Note 18)	(13,809)	-	14,493	-
Finance costs (Notes 18 and 23)	<u>(129,831)</u>	<u>-</u>	<u>(105,503)</u>	<u>-</u>
Total non-operating expenses	<u>(124,505)</u>	<u>-</u>	<u>(69,138)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,030,891	7	1,657,825	11
INCOME TAX EXPENSE (Notes 4 and 19)	<u>289,675</u>	<u>2</u>	<u>453,265</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>741,216</u>	<u>5</u>	<u>1,204,560</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 15)	12,997	-	329	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 19)	(2,599)	-	(66)	-

(Continued)

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ 79,942	-	\$ (19,078)	-
Other comprehensive income (loss) for the year, net of income tax	90,340	-	(18,815)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 831,556</u>	<u>5</u>	<u>\$ 1,185,745</u>	<u>8</u>
EARNINGS PER SHARE (Note 20)				
Basic	\$ 2.64		\$ 4.29	
Diluted	\$ 2.64		\$ 4.29	

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Ordinary Shares (Note 16)	Capital Surplus (Note 16)	Retained Earnings (Note 16)			Other Equity	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	
BALANCE AT JANUARY 1, 2021	\$ 2,805,260	\$ 463,471	\$ 198,107	\$ 246,961	\$ 426,460	\$ (230,890)	\$ 3,909,369
Appropriation of 2020 earnings							
Legal reserve	-	-	10,439	-	(10,439)	-	-
Special reserve	-	-	-	(16,071)	16,071	-	-
Cash dividends distributed by the Company	-	-	-	-	(140,263)	-	(140,263)
Net profit for the year ended December 31, 2021	-	-	-	-	1,204,560	-	1,204,560
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	263	(19,078)	(18,815)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,204,823	(19,078)	1,185,745
BALANCE AT DECEMBER 31, 2021	2,805,260	463,471	208,546	230,890	1,496,652	(249,968)	4,954,851
Appropriation of 2021 earnings							
Legal reserve	-	-	120,482	-	(120,482)	-	-
Special reserve	-	-	-	19,078	(19,078)	-	-
Cash dividends distributed by the Company	-	-	-	-	(561,052)	-	(561,052)
Net profit for the year ended December 31, 2022	-	-	-	-	741,216	-	741,216
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	10,398	79,942	90,340
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	751,614	79,942	831,556
BALANCE AT DECEMBER 31, 2022	<u>\$ 2,805,260</u>	<u>\$ 463,471</u>	<u>\$ 329,028</u>	<u>\$ 249,968</u>	<u>\$ 1,547,654</u>	<u>\$ (170,026)</u>	<u>\$ 5,225,355</u>

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated March 14, 2023)

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,030,891	\$ 1,657,825
Adjustments for:		
Depreciation expense	260,935	252,626
Expected credit loss recognized (reversed) on trade receivables	(1,250)	2,360
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	2,340	(258)
Finance costs	129,831	105,503
Interest income	(5,185)	(7,535)
Gain on disposal of property, plant and equipment	(528)	(59)
Write-down of inventories	21,682	-
Reversal of write-down of inventories	-	(3,390)
Net (gain) loss on foreign currency exchange	(20,454)	8,175
Gain on lease modification	(923)	(854)
Changes in operating assets and liabilities		
Notes receivable	18,058	(151,952)
Trade receivables	452,228	(488,798)
Other receivables	38,011	(36,039)
Inventories	1,551,061	(1,919,196)
Prepayments	937	8,217
Other current assets	618	(275)
Contract liabilities	(113,183)	169,943
Notes payable	(24,349)	37,971
Trade payables	(120,190)	8,977
Other payables	(83,489)	82,492
Other current liabilities	(1,285)	1,928
Net defined benefit liabilities	<u>(16,699)</u>	<u>(8,640)</u>
Cash generated from (used in) operations	3,119,057	(280,979)
Interest received	5,185	7,535
Interest paid	(127,342)	(105,549)
Income tax paid	<u>(344,012)</u>	<u>(117,528)</u>
Net cash generated from (used in) operating activities	<u>2,652,888</u>	<u>(496,521)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(8,621)	(14,019)
Proceeds from sale of financial assets at fair value through profit or loss	-	14,539
Payments for property, plant and equipment	(250,599)	(264,643)
Proceeds from disposal of property, plant and equipment	781	522
Decrease (increase) in refundable deposits	224	(874)
Decrease (increase) in other financial assets	84,863	(86,319)
Increase in prepayments for equipment	<u>(7,175)</u>	<u>(66,984)</u>
Net cash used in investing activities	<u>(180,527)</u>	<u>(417,778)</u>

(Continued)

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	\$(1,661,360)	\$ 1,402,899
Proceeds from long-term borrowings	-	100,000
Repayments of long-term borrowings	(465,094)	(458,425)
Proceeds from guarantee deposits received	9,955	1,300
Repayment of the principal portion of lease liabilities	(37,060)	(37,661)
Dividends paid to owners of the Company	<u>(561,052)</u>	<u>(140,263)</u>
Net cash generated from (used in) financing activities	<u>(2,714,611)</u>	<u>867,850</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(2,596)</u>	<u>(2,030)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(244,846)	(48,479)
CASH AT THE BEGINNING OF THE YEAR	<u>1,516,988</u>	<u>1,565,467</u>
CASH AT THE END OF THE YEAR	<u>\$ 1,272,142</u>	<u>\$ 1,516,988</u>

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

Froch Enterprise Co., Ltd.

Allocation of 2022 Employee and Director Remuneration

1. The following terms of the "Articles of Incorporation" on employee and director remuneration have been resolved and approved in board of directors' meeting and shareholders' meeting:

Annual profits concluded by the Company are subject to employee remuneration of 1%, which the board of directors may decide to distribute in cash or in shares. Employees who meet certain criteria are entitled to receive remuneration. Up to 3% of the aforementioned profit may be distributed as directors' remuneration at the discretion of the board of directors. Employee and director remuneration proposals are to be raised for resolution during shareholders' meetings. Profits must first be taken to offset against cumulative losses, if any, before the remainder can be distributed as employee and director remuneration in the above percentages.

Annual surpluses concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal reserves; however, no further provision is needed when legal reserves have accumulated to the same amount as the Company's paid-up capital. Any surpluses remaining shall then be subject to provision or reversal of special reserves, as the laws may require. The residual balance can then be added to undistributed earnings carried from previous years and distributed as shareholder dividends at board of directors' proposal, this proposal shall then be submitted to the shareholders' meetings for final resolution.

The Company's dividend policy has been established to accommodate current and future development plans after taking into consideration of investment environment, capital requirement, domestic and/or foreign competition, and shareholders' interests. No less than 50% of distributable earnings shall be paid as dividend for the corresponding year, but the Company may decide to withhold paying dividend if the amount of distributable earnings is less than 10% of paid-up capital. Dividends can be paid in cash or in shares, with cash dividends amounting to no less than 20% of total dividends.

2. Earnings appropriation proposal that have been approved by the board of directors but not yet resolved in a shareholders' meeting:

The Company reported net income of NT\$741,216,299 for 2022; having considered future investment opportunities and industry characteristics, the board of directors passed a proposal during the meeting dated March 14, 2023 to pay cash dividends at NT\$1.50 per share.

3. Earnings appropriation proposal resolved in shareholders' meeting: Not Applicable.

4. Allocation of 2022 earnings for employee and director remuneration:

Both employee and director remuneration for 2022 have been proposed at NT\$9,775,574 individually. Both amounts have been proposed at 1% of pre-tax profit less cumulative losses, as stipulated in the Articles of Incorporation, and were recognized as operating expenses for 2022. However, if a sum different to the estimated amount is resolved in shareholders' meeting on a later date, the difference will be treated as a gain or loss item for 2023.

Froch Enterprise Co., Ltd.

Comparison Table

of

Existing and Revised "Corporate Governance Best Practice Principles"

Article No.	Existing Article	Amended Article	Description
Article 10	The Company shall place high importance on the shareholder right to know, and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders with regular and timely information on company financial conditions and operations, insider shareholdings, and corporate governance status through the MOPS or the website established by the company.	The Company shall place high importance on the shareholder right to know, and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders with regular and timely information on company financial conditions and operations, insider shareholdings, and corporate governance status through the MOPS or the website established by the company. <u>It is advisable that the rules mentioned in the preceding paragraph include stock trading control measures from the date insiders of a TWSE/TPEX listed company become aware of the contents of the company's financial reports or relevant results. Measures include, without limitation, those prohibiting a director from trading its shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports.</u>	Amended to conform with regulatory amendment (s)
Article 23	The Company shall appoint independent directors in accordance with its Articles of Incorporation. They shall be not less than two in number and advisably not less than one-fifth of the total number of directors. Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings. Independent directors shall also maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in	The Company shall appoint independent directors in accordance with its Articles of Incorporation. They shall be not less than three in number and is advisable that <u>an independent director serve for not more than three consecutive terms.</u> Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings and the positions they may concurrently hold. They shall maintain independence within the scope of their directorial	Amended to conform with regulatory amendment (s)

<p>the company. The election of the Company's independent directors is subject to the provisions of Article 192-1 of the Company Act in that a candidate nomination system shall be adopted, that such system shall be expressly stated in the Articles of Incorporation of the Company, and that shareholders shall elect independent directors from among the those listed in the slate of independent director candidates. Independent and non-independent directors shall be elected in accordance with Article 198 of the Company Act at the same time, but in separately calculated numbers.</p> <p>(The rest of the article omitted.)</p>	<p>duties, and may not have any direct or indirect interest in the company. The election of the Company's independent directors is subject to the provisions of Article 192-1 of the Company Act in that a candidate nomination system shall be adopted, that such system shall be expressly stated in the Articles of Incorporation of the Company, and that shareholders shall elect independent directors from among the those listed in the slate of independent director candidates. Independent and non-independent directors shall be elected in accordance with Article 198 of the Company Act at the same time, but in separately calculated numbers.</p> <p>(The rest of the article omitted.)</p>	
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Froch Enterprise Co., Ltd.

Comparison Table

of

Existing and Revised "Board of Directors Conference Rules"

Article No.	Existing Article	Amended Article	Description
Article 3	<p>A board of directors shall meet at least quarterly. The reasons for calling a board of directors meeting shall be notified to each director and supervisor at least seven days in advance. It may be affected by means of written form, e-mail, or fax after obtaining prior consent from the recipient(s) thereof. In the case of emergency, a meeting of the board of directors may be convened at any time and may be effected by means of written form, e-mail, or fax after obtaining prior consent from the recipient(s) thereof. All matters set forth under Article 12, paragraph 1 of these Rules shall be specified in the notice of the reasons for convening a board meeting. None of those matters may be raised by an extraordinary motion except in the case of an emergency or for other legitimate reason.</p>	<p>A board of directors shall meet at least quarterly. The reasons for calling a board of directors meeting shall be notified to each director and supervisor at least seven days in advance. It may be effected by means of written form, e-mail, or fax after obtaining prior consent from the recipient(s) thereof. In the case of emergency, a meeting of the board of directors may be convened at any time and may be effected by means of written form, e-mail, or fax after obtaining prior consent from the recipient(s) thereof. All matters set forth under Article 12, paragraph 1 of these Rules may not be raised by an extraordinary motion.</p>	Amended to conform with regulatory amendment(s)
Article 12	<p>The Company shall submit the following items for discussion by the board of directors:</p> <ol style="list-style-type: none"> 1. Corporate business plan. 2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be audited and attested by a certified public accountant (CPA). 3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Act, and an assessment of the internal control system. 4. Adoption or amendment, pursuant to Article 36-1 of the Act, of handling procedures for financial or operational actions of material 	<p>The Company shall submit the following items for discussion by the board of directors:</p> <ol style="list-style-type: none"> 1. Corporate business plan. 2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be audited and attested by a certified public accountant (CPA). 3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Act, and an assessment of the internal control system. 4. Adoption or amendment, pursuant to Article 36-1 of the Act, of handling procedures for financial or operational actions of material 	Amended to conform with regulatory amendment(s)

	<p>significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.</p> <p>5. The offering, issuance, or private placement of any equity-type securities.</p> <p>6. The appointment or discharge of a financial, accounting, or internal audit officer.</p> <p>7. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.</p> <p>8. Any matter required by Article 14-3 of the Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or board of directors meeting, or any such significant matter as may be prescribed by the competent authority.</p> <p>(The rest of the article omitted.)</p>	<p>significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.</p> <p>5. The offering, issuance, or private placement of any equity-type securities.</p> <p><u>6. The election or discharge of the chairman of the board of directors if the board of directors does not have managing directors.</u></p> <p><u>7.</u> The appointment or discharge of a financial, accounting, or internal audit officer.</p> <p><u>8.</u> A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.</p> <p><u>9.</u> Any matter required by Article 14-3 of the Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or board of directors meeting, or any such significant matter as may be prescribed by the competent authority.</p> <p>(The rest of the article omitted.)</p>	
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Froch Enterprise Co., Ltd.

Earnings Appropriation Report

2022

Unit: NTD

Items	Amount	Remarks
Distributable Earnings:		
1. Opening Undistributed Earnings	796,038,583	1. The proposal was passed during the Board of Directors meeting dated March 14, 2023. In accordance with the Articles of Incorporation, which requires net income to be allocated for reimbursement of previous losses followed by a 10% provision for statutory reserve before the remainder is distributed. 2. Employee remuneration to be allocated at NT\$9,775,574 Director remuneration to be allocated at NT\$9,775,574
2. Effects of Retrospective Application and Restatement	0	
3. Net Income after Tax for 2022	741,216,299	
4. Other Comprehensive Income for 2022 - Actuarial Gains/Losses after Defined Benefit Plan	10,397,699	
5. Provision for Statutory Reserve	(75,161,400)	
6. Reverse Provision for Special Reserve	79,942,162	
7. Allocation of Cash Dividend at NT\$1.50 per Share	(420,789,041)	
8. Closing Undistributed Earnings	1,131,644,302	

Froch Enterprise Co., Ltd.

Shareholdings of All Directors

- I. The Company has paid-up capital of NT\$2,805,260,270, issued in 280,526,027 shares.
- II. According to Article 26 of the Securities and Exchange Act, the entire board of directors is required to maintain a minimum holding position of 12,000,000 shares.
- III. Directors' individual and aggregate shareholding as of the book closure date of this shareholders' meeting is shown in the following table. All percentages have conformed with the requirements stipulated in Article 26 of the Securities and Exchange Act.

Unit: shares

Title	Name	Current Shareholding	Remarks
Chairman	Ping-Yiao Chang	17,547,946	
Vice Chairman	Hsin-Ta Chang	21,648,931	
Director	Tsao-Chi Yang	0	
Director	Chun-Chi Lee	0	
Director	Shin Chieh Shin Co., Ltd.	28,206,372	
Independent Director	Shun-Te Wen	0	
Independent Director	Ying-Fang Lee	0	
Independent Director	Shu-Fu Wang	0	
Independent Director	Huei-Guei Chen	0	
Total for All Directors		67,403,249	

Impacts of Proposed Stock Dividends on Business Performance, Earnings per Share, and Return on Equity:

The Company plans to distribute current year dividends entirely in cash, hence there will be no impact from stock dividends.

Other Remarks

Proposals for the current annual general meeting of shareholders:

Explanatory Notes:

1. According to Article 172-1 of The Company Act, shareholders that own more than 1% of the Company's outstanding shares are entitled to propose motions for discussion in the 2023 general meeting of shareholders. Each shareholder may only propose one motion up to 300 Chinese characters (including punctuation); proposals above that limit will be excluded from discussion. Shareholders who have successfully proposed their motions shall attend the annual general meeting in person or through proxy and participate in the discussion.
2. The Company accepted shareholders' motion proposals for the current annual general meeting from April 7 to April 17, 2023, which was announced over the Market Observation Post System according to law.
3. The Company received no motion proposal from any shareholder.

Froch Enterprise Co., Ltd.

Comparison Table of Existing and Revised "Articles of Incorporation"

Article No.	Existing Article	Amended Article	Description
Article 17	<p>The Company sets seven to nine directors. A candidates nomination system is adopted and those shall be elected by the shareholders' meeting from among the persons with disposing capacity. All consecutive terms are three years and can be reelected. The number of independent director shall be not less than three in the Company's directors number mentioned above. A candidates nomination system is adopted and those shall be elected by the shareholder's meeting from the nomination list. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, method of nomination, and other matters for compliance with respect to independent directors shall be prescribed by the Competent Authority. After the Company publicly issues shares, the percentage of shareholdings of all the directors selected shall be subjected to the Competent Authority.</p>	<p>The Company sets seven to nine directors. A candidates nomination system is adopted and those shall be elected by the shareholders' meeting from among the persons with disposing capacity. All consecutive terms are three years and can be reelected. The number of independent director shall be not less than three in the Company's directors number mentioned above <u>and the continuous consecutive terms shall not exceed three terms.</u> A candidates nomination system is adopted and those shall be elected by the shareholder's meeting from the nomination list. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, method of nomination, and other matters for compliance with respect to independent directors shall be prescribed by the Competent Authority. After the Company publicly issues shares, the percentage of shareholdings of all the directors selected shall be subjected to the Competent Authority.</p>	<p>Amended to conform with regulatory amendment (s)</p>

Froch Enterprise Co., Ltd.

Corporate Governance Best Practice Principles (before amendment)

Chapter I General Principles

Article 1 Purpose of Regulation

To establish a good corporate governance system for the Company, we have formulated the Principles with the reference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" for compliance.

Article 2 Principles of Corporate Governance

When setting up the Company's corporate governance system, in addition to complying with relevant laws, regulations, Articles of Incorporation, contracts signed with the TWSE or TPEX, and other relevant regulations, a TWSE/TPEX listed company shall follow the following principles:

1. Establish an effective corporate governance framework.
2. Protect the rights and interests of shareholders.
3. Strengthen the powers of the board of directors.
4. Fulfill the function of supervisors.
5. Respect the rights and interests of stakeholders.
6. Enhance information transparency.

Article 3 Establish Internal Control System

The Company shall follow the Criteria Governing Establishment of Internal Control Systems by Public Reporting Companies and take into consideration the overall operational activities of itself and its subsidiaries to design and fully implement an internal control system, and shall conduct continuing reviews of the system, in order to ensure the continued effectiveness of its design and implementation in light of changes in the Company's internal and external environment.

The establishment or amendment of the Company's internal control system shall be submitted to the board of directors for approval by resolution. When an independent director has a dissenting opinion or reserved opinion, it shall be noted in the minutes of the directors meeting.

If an audit committee is established, the establishment or amendment to the Company's internal control system shall be subject to the consent of one-half or more of all audit committee members and be submitted to the board of directors for a resolution.

The Company shall perform full self-assessments of its internal control system. Its board of directors and management shall review the results of the self-assessments by each department and the reports of the internal audit department at least annually. The supervisors shall also attend to and supervise these matters.

The management of the Company shall pay special attention to the internal audit department and its personnel, fully empower them and urge them to conduct

audits effectively, to evaluate problems of the internal control system and assess the efficiency of its operations to ensure that the system can operate effectively on an on-going basis, and to assist the board of directors and the management to perform their duties effectively so as to ensure a sound corporate governance system.

To put the internal control system into effect, strengthen the professional abilities of the agent of the internal auditor and to further improve and maintain the quality and implementing result of the audit, the Company shall have a deputy in place for the internal auditing personnel.

The qualification requirements on the internal auditor set out in Article 11, paragraph 3 of the Criteria Governing Establishment of Internal Control System by Public Reporting Companies and Articles 16, 17, and 18 of the same Criteria shall apply mutatis mutandis to the deputy as referred to in the preceding paragraph.

Chapter II Protection of Shareholders' Rights and Interests

Article 4 Take the Protection of Shareholders' Rights and Interests as its Foremost Goal

When implementing the corporate governance system, the Company shall take the protection of shareholders' rights and interests as its foremost goal and treat all shareholders fairly.

The Company shall establish a corporate governance system which ensures shareholders' rights of being fully informed of, participating in and making decisions over important matters of the Company.

Article 5 Convene the Shareholders' Meeting and Formulate Complete Rules of Procedure

The Company shall convene shareholders' meetings in accordance with the Company Law and relevant laws and regulations and formulate complete rules of procedure. The Company shall also faithfully perform resolutions passed by the shareholders' meeting.

The content of the resolutions passed by the shareholders' meeting shall be in compliance with applicable laws, regulations, and Articles of Incorporation.

Article 6 Board of Directors Shall Properly Arrange the Proposals and Agenda of Shareholders' Meetings

The board of directors shall properly arrange the proposals and agenda of shareholders' meetings. Shareholders shall be granted reasonable time to deliberate each proposal and afforded an appropriate opportunity to make statements.

The shareholders' meeting convened by the board of directors should be attended by more than half of the directors of the board of directors in person.

Article 7 Encourage Shareholders to Actively Participate in Corporate Governance

The Company shall encourage its shareholders to actively participate in corporate governance and shareholders meetings can be convened on a legal, effective and secure basis.

The Company shall seek all ways and means, including fully exploiting technologies for information disclosure and voting to enhance shareholders' attendance rates at shareholders meetings and ensure their exercise of rights at such meetings in accordance with laws.

The Company should arrange for shareholders to vote or discuss the resolutions

of the shareholders' meeting on a case-by-case basis, one divisional vote and vote counting, and input the results of shareholders' approval, objection or abstention into the Internet designated by the competent authority on the day after the shareholders' meeting.

If the Company distributes shareholders meeting souvenirs to shareholders, there shall be no differential treatment or discrimination.

Article 8 Shareholders Meeting Minutes

The Company, in accordance with the Company Act and other applicable laws and regulations, shall record in the shareholders meeting minutes the date and place of the meeting, the name of the chairperson, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. With respect to the election of directors and supervisors, the meeting minutes shall record the method of voting adopted therefore and the total number of votes for the elected directors or supervisors.

The shareholders meeting minutes shall be properly and perpetually kept by the Company during its legal existence, and should be sufficiently disclosed on the Company's website, if any.

Article 9 Chairperson of The Shareholders Meetings Shall Be Fully Familiar and Comply with The Rules Governing the Proceedings of The Shareholders Meetings Established By The Company.

The chairperson of the shareholders meetings shall be fully familiar and comply with the rules governing the proceedings of the shareholders meetings established by the Company. The chairperson shall ensure the proper progress of the proceedings of the meetings and may not adjourn the meetings at will.

In order to protect the interests of most shareholders, if the chairperson declares the adjournment of the meeting in a manner in violation of rules governing the proceedings of the shareholders meetings, it is advisable for the members of the board of directors other than the chairperson of the shareholders meeting to promptly assist the attending shareholders at the shareholders meeting in electing a new chairperson of the shareholders meeting to continue the proceedings of the meeting, by a resolution to be adopted by a majority of the votes represented by the shareholders attending the said meeting in accordance with the legal procedures.

Article 10 Place High Importance on The Shareholder Right to Know

The Company shall place high importance on the shareholder right to know, and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders with regular and timely information on company financial conditions and operations, insider shareholdings, and corporate governance status through the MOPS or the website established by the Company. Measures include, without limitation, those prohibiting a director from trading its shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports.

Article 11 Shareholders Shall be Entitled to Profit Distributions by the Company.

The shareholders shall be entitled to profit distributions by the Company. In order to ensure the investment interests of shareholders, the shareholders meeting may, pursuant to Article 184 of the Company Act, examine the statements and books prepared and submitted by the board of directors and the reports submitted by the audit committee or supervisors, and may decide profit

distributions and deficit off-setting plans by resolution. In order to proceed with the above examination, the shareholders meeting may appoint an inspector.

The shareholders may, pursuant to Article 245 of the Company Act, apply with the court to select an inspector in examining the accounting records and assets of the Company.

The board of directors, audit committee or supervisors, and managers of the Company shall fully cooperate in the examination conducted by the inspectors in the aforesaid two paragraphs without any circumvention, obstruction or rejection.

Article 12 Significant Financial Business Actions Should be Approved by The Shareholders' Meeting

In entering material financial and business transactions such as acquisition or disposal of assets, lending funds, and making endorsements or providing guarantees, the Company shall proceed in accordance with the applicable laws and/or regulations and establish operating procedures in relation to these material financial and business transactions which shall be reported to and approved by the shareholders meeting so as to protect the interests of the shareholders.

When the Company is involved in a management buyout (MBO), in addition to proceeding in accordance with the applicable laws and/or regulations, it shall not only pay attention to the fairness, rationality, etc. of the plan and transaction of the merger, acquisition or public tender offer, but information disclosure and the soundness of the Company's financial structure thereafter.

The relevant personnel of the Company handling the matters in the preceding paragraph shall pay attention to the occurrence of any conflicts of interest and the need for recusal.

Article 13 The Company is Advised to Designate Personnel Exclusively Dedicated to Handling Shareholder Proposals

In order to protect the interests of the shareholders, it is advisable that the Company designate personnel exclusively dedicated to handling shareholder proposals, inquiries, and disputes.

The Company shall properly deal with any legal action duly instituted by shareholders in which it is claimed that shareholder rights and interests were damaged by a resolution adopted at a shareholders meeting or a board of directors meeting in violation of applicable laws, regulations, or the Company's Articles of Incorporation, or that such damage was caused by a breach of applicable laws, regulations or the Company's Articles of Incorporation by any directors, supervisors or managers in performing their duties.

Article 14 Establish Firewalls

The Company shall clearly identify the objectives and the division of authority and responsibility between it and its affiliated enterprises with respect to management of personnel, assets, and financial matters, and shall properly carry out risk assessments and establish appropriate firewalls.

Article 15 A Manager of The Company May Not Serve as A Manager of Its Affiliated Enterprises

Unless otherwise provided by the laws and regulations or approved by the board of director, a manager of the Company may not serve as a manager of its affiliated enterprises.

A director who engages in any transaction for himself or on behalf of another

person that is within the scope of the Company's operations shall explain the major content of such actions to the shareholders meeting and obtain its consent.

Article 16 Establish Sound Objectives and Systems for Management of Finance, Operations, And Accounting

The Company shall establish sound objectives and systems for management of finance, operations, and accounting in accordance with applicable laws and regulations. It shall further, together with its affiliated enterprises, properly conduct an overall risk assessment of major banks they deal with and customers and suppliers, and implement the necessary control mechanisms to reduce credit risk.

Article 17 The Company and Its Affiliated Enterprises Enter into Inter-company Business Transaction Shall be Made in Accordance with The Principle of Fair Dealing and Reasonableness

The Company and its affiliated enterprises enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness.

Price and payment terms shall be definitively stipulated when contracts are signed, and non-arm's length transactions shall be prohibited.

All transactions or contracts made by and between the Company and its affiliated persons and shareholders shall follow the principles set forth in the preceding paragraph, and improper channeling of profits is strictly prohibited.

Article 18 A Corporate Shareholder Having Controlling Power Over the Company Shall Comply with The Following Provisions:

A corporate shareholder having controlling power over the Company shall comply with the following provisions:

1. It shall bear a duty of good faith to other shareholders and shall not directly or indirectly cause the Company to conduct any business which is contrary to normal business practice or not profitable.
2. Its representative shall follow the rules implemented by its company with respect to the exercise of rights and participation of resolution, so that at a shareholders meeting, the representative shall exercise his/her voting right in good faith and for the best interest of all shareholders and shall exercise the fiduciary duty and duty of care of a director or supervisor.
3. It shall comply with relevant laws, regulations, and the Articles of Incorporation of the Company in nominating directors or supervisors and shall not act beyond the authority granted by the shareholders meeting or board meeting.
4. It shall not improperly intervene in corporate policy making or obstruct corporate management activities.
5. It shall not restrict or impede the management or production of the Company by methods of unfair competition such as monopolizing corporate procurement or foreclosing sales channels.

Article 19 A Register of major shareholders and The Persons with Ultimate Control over Them

The Company shall retain at all times a register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders.

The Company shall disclose periodically important information about its shareholders holding more than 10 percent of the outstanding shares of the Company relating to the pledge, increase or decrease of share ownership, or other matters that may possibly trigger a change in the ownership of their shares. The major shareholder indicated in the first paragraph refers to those who owns 5 percent or more of the outstanding shares of the Company or the shareholding stake thereof is on the top 10 list.

Chapter III Enhancing the Functions of the Board of Directors

Article 20 Abilities The Board of Directors Should Possess as A Whole

The board of directors of the Company shall be responsible to the Company and shareholders. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the board of directors complies with laws, regulations, its Articles of Incorporation, and the resolutions of its shareholders meetings.

The structure of the Board of Directors should adopt to its scale and the shareholding of the major shareholders to consist of at least five directors.

The composition of the board of directors' members should pay attention to gender equality and generally have the essential knowledge, skills, and accomplishments to perform their duties. In order to achieve the ideal goal of corporate governance, the board of directors as a whole should have the following capabilities:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

Article 21 Establish A Fair, Just, And Open Procedure for The Election of Directors

The Company shall establish a fair, just, and open procedure for the election of directors, encourage shareholder participation, and adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views.

Unless the competent authority otherwise grants an approval, a spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of the directors of The Company.

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

The aggregate shareholding percentage of all of the directors of The Company shall comply with the laws and regulations. Restrictions on the share transfer of each director and the creation, release, or changes of any pledges over the shares held by each director shall be subject to the relevant laws and regulations, and the relevant information shall be fully disclosed.

Article 22 The Company Shall Draw Clear distinctions of The Authorities and Responsibilities of Chairman and General Manager

Clear distinctions shall be drawn between the responsibilities and duties of the chairperson of the board of The Company and those of its general manager. It is inadvisable for the chairman to also act as the general manager or an equivalent post. If the chairman and general manager are held by the same person or are spouses or first-degree relatives, it is advisable to increase the number of independent directors.

Article 23 The Company Shall Appoint Independent Directors in Accordance with Its Articles of Incorporation

The Company shall appoint independent directors in accordance with its Articles of Incorporation. They shall be not less than two in number and advisably not less than one-fifth of the total number of directors.

Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings and other concurrent posts. Independent directors shall also maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the Company.

The Company shall apply candidate nomination system in compliance with Article 192 of the Company Act and stipulate it in the Articles of Incorporation. The shareholders shall elect independent directors according to the candidate list. Independent and non-independent directors shall be elected at the same time in accordance with Article 198 of the Company Act and are in separately calculated numbers.

The Company and its group enterprises and organizations, and another company and its group enterprises and organizations nominate for each other any director, supervisor or managerial officer as a candidate for an independent director of the other, The Company shall, at the time it receives the nominations for independent directors, disclose the fact and explain the suitability of the candidate for independent director. If the candidate is elected as an independent director, the Company shall disclose the number of votes cast in favor of the elected independent director.

The "group enterprises and organizations" in the preceding paragraph comprise the subsidiaries of the Company, any foundation to which the Company 's cumulative direct or indirect contribution of funds exceeds 50 percent of its endowment, and other institutions or juristic persons that are effectively controlled by the Company.

Change of status between independent directors and non-independent directors during their term of office is prohibited.

When the independent director is discharged and the number of independent directors falls short of what is required as stipulated in the first article or Article of Incorporation. A re-election shall be held in the next shareholders meeting.

If all the independent directors are discharged, the Company shall convene a temporary shareholders meeting for re-election with 60 days of such discharge.

The professional qualifications, restrictions on both shareholding and concurrent positions held, determination of independence, method of nomination and other requirements with regard to the independent directors shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies, and the rules and regulations of the Taiwan Stock Exchange.

Article 24 Matters that Should be Submitted to The Resolution of The Board of Directors

The Company has independent directors. Except for those approved by the competent authority, the Company shall submit the following matters to the board of directors for approval by resolution. When an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of the directors meeting:

1. Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
3. A matter bearing on the personal interest of a director or a supervisor.
4. A material asset or derivatives transaction.
5. A material monetary loan, endorsement, or provision of guarantee.
6. The offering, issuance, or private placement of any equity-type securities.
7. The hiring, discharge, or compensation of an attesting CPA.
8. The appointment or discharge of a financial, accounting, or internal auditing officer.
9. Any other material matter so required by the competent authority.

Article 25 Stipulate the Scope of Duties of The Independent Directors

The Company shall stipulate the scope of duties of the independent directors and empower them with manpower and physical support related to the exercise of their power. The Company or other board members shall not obstruct, reject or circumvent the performance of duties by the independent directors.

The Company shall stipulate the remuneration of the directors according to applicable laws and regulations. The remuneration of the directors shall fully reflect the personal performance and the long-term management performance of the Company, and shall also take the overall operational risks of the Company into consideration. Different but reasonable remuneration from that of other directors may be set forth for the independent directors.

The Company, under its Articles of Incorporation, or by resolution of its shareholders meeting, or by order of the competent authority, sets aside a certain proportion of earnings as special reserve, such allocation shall be made after the allocation of legal reserve and before the distribution of director, supervisor, and employee profit-sharing compensation, and the Company shall provide in the Articles of Incorporation the method to be adopted for distributing earnings when reversal of the special reserve is added into the undistributed earnings.

Article 26 Set Up Functional Committees

For the purpose of developing supervisory functions and strengthening management mechanisms, the board of directors of the Company, in consideration of the Company's scale and type of operations and the number of its independent directors, may set up functional committees for auditing, nomination, risk management or any other functions, and based on concepts of corporate social responsibility and sustainable operation, may set up environmental protection, or other committees, and expressly provide for them

in the Articles of Incorporation.

Functional committees shall be responsible to the board of directors and submit their proposals to the board of directors for approval, provided that the performance of supervisor's duties by the audit committee pursuant to Article 14-4, paragraph 4 of the Securities and Exchange Act shall be excluded.

Functional committees shall adopt an organizational charter to be approved by the board of directors. The organizational charter shall contain the numbers, terms of office, and powers of committee members, as well as the meeting rules and resources to be provided by the Company for exercise of power by the committee.

Article 27 Establish Either an Audit Committee or a Supervisor.

The Company shall establish either an audit committee or a supervisor.

The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise.

For a company that has established an audit committee, the provisions regarding supervisors in Securities and Exchange Act, the Company Act, and other laws and regulations shall apply mutatis mutandis to the audit committee. If the Company establish an audit committee, the provisions of Article 25 shall not apply to the following matters, which shall be subject to the consent of one-half or more of all audit committee members and be submitted to the board of directors for a resolution:

1. Adoption or amendment of an internal control system pursuant to Article 14-1 of Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. Adoption or amendment, pursuant to Article 36-1 of Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
4. A matter bearing on the personal interest of a director.
5. A material asset or derivatives transaction.
6. A material monetary loan, endorsement, or provision of guarantee.
7. The offering, issuance, or private placement of any equity-type securities.
8. The hiring or dismissal of an attesting CPA, or the compensation given thereto.
9. The appointment or discharge of a financial, accounting, or internal auditing officer.
10. Annual financial reports and quarter financial reports
11. Any other material matter so required by the Company or the Competent Authority.

The exercise of power by audit committee and independent directors and related matters shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and the rules and regulations of the TWSE or TPEX.

Article 28 Set Up Remuneration Committee

The Company shall establish a Remuneration Committee with the professional qualification of its members, the exercise of powers, organizational regulations, and related rules shall be in accordance with "Regulations Governing the

Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange". The remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the board of directors. However, recommendations in connection with remuneration for supervisors may be submitted for deliberation by the board of directors only to the extent that the board of directors is authorized expressly by the Company's Articles of Incorporation or by a resolution of the shareholders meeting to handle supervisor remuneration:

1. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers.
2. Periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers.

When performing the official powers of the preceding paragraph, the remuneration committee shall follow the principles listed below:

1. With respect to the performance assessment and remuneration of directors, supervisors and managerial personnel of the Company, it shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the Company's business performance, and future risk exposure.
2. It shall not produce an incentive for the directors or managerial officers to engage in activity to pursue remuneration exceeding the risks that the Company may tolerate.
3. It shall take into consideration the characteristics of the industry and the nature of the Company's business when determining the ratio of bonus payout based on the short-term performance of its directors and senior management and the time for payment of the variable part of remuneration.

Article 29 A Professional, Responsible, and Independent Attesting CPA

The Company shall select as its external auditor a professional, responsible, and independent attesting CPA, who shall perform regular reviews of the financial conditions and internal control measures of the Company. Regarding any irregularity or deficiency discovered and disclosed in a timely manner by the auditor during the review, and concrete measures for improvement or prevention suggested by the auditor, the Company shall faithfully implement improvement actions.

The Company shall evaluate the independence and suitability of the CPA engaged by the Company regularly, and no less frequently than once annually. In the event that the Company engages the same CPA without replacement for 7 years consecutively, or if the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the Company shall evaluate the necessity of replacing the CPA and submit its conclusion to the board of directors.

Article 30 Provide Adequate Legal Consultation Services to The Company

It is advisable that the Company engage a professional and competent legal counsel to provide adequate legal consultation services to the Company, or to assist the board of directors, the supervisors, and the management to improve their knowledge of the law, for the purposes of preventing any infraction of laws

or regulations by the company or its staff and ensuring that corporate governance matters proceed pursuant to the relevant legal framework and the prescribed procedures.

When, as a result of performing their lawful duties, directors, supervisors or the management are involved in litigation or a dispute with shareholders, the Company shall retain a legal counsel to provide assistance as circumstances require.

The audit committee or an independent director may retain the service of legal counsel, CPA, or other professionals on behalf of the Company to conduct a necessary audit or provide consultation on matters in relation to the exercise of their power, at the expense of the Company.

Article 31 Convention of the Board of Directors

The board of directors of the Company shall meet at least once every quarter, or convene at any time in case of emergency. To convene a board meeting, a meeting notice which specifies the purposes of the meeting shall be sent to each director and supervisor no later than 7 days before the scheduled date. Sufficient meeting materials shall also be prepared and enclosed in the meeting notice. If the meeting materials are deemed inadequate, a director may ask the unit in charge to provide more information or request a postponement of the meeting with the consent of the board of directors.

The Company shall adopt rules of procedure for board meetings, which shall follow the Regulations Governing Procedure for Board of Directors Meetings of Public Companies with regard to the content of deliberations, procedures, matters to be recorded in the meeting minutes, public announcements, and other matters for compliance.

Article 32 Directors Shall Exercise a High Degree of Self-Discipline

Company directors shall exercise a high degree of self-discipline. If a director or a juristic person represented by the director is an interested party with respect to any proposal for a board meeting, the director shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that proposal and shall enter recusal during the discussion and voting. The director also may not act as another director's proxy to exercise voting rights on that matter.

Matters requiring the voluntary recusal of a director shall be clearly set forth in the rules of procedure for board meetings.

Article 33 Independent Directors and Board of Directors

When a board meeting is convened to consider any matter submitted to it pursuant to Article 14-3 of the Securities and Exchange Act, an independent director of the Company shall attend the board meeting in person, and may not be represented by a non-independent director via proxy. When an independent director has a dissenting or qualified opinion, it shall be noted in the minutes of the board of directors meeting; if the independent director cannot attend the board meeting in person to voice his or her dissenting or qualified opinion, he or she should provide a written opinion before the board meeting unless there are justifiable reasons for failure to do so, and the opinion shall be noted in the minutes of the board of directors meeting.

In any of the following circumstances, decisions made by the board of directors shall be noted in the meeting minutes, and in addition, publicly announced and

filed on the MOPS on the first business day after the date of the board meeting:

1. An independent director has a dissenting or qualified opinion which is on record or stated in a written statement.
2. The matter was not approved by the audit committee (if the Company has set up an audit committee), but had the consent of more than two-thirds of all directors.

During a board meeting, managers from relevant departments who are not directors may, in view of the meeting agenda, sit in at the meetings, make reports on the current business conditions of the Company and respond to inquiries raised by the directors. Where necessary, a CPA, legal counsel, or other professional may be invited to sit in at the meetings to assist the directors in understanding the conditions of the Company for the purpose of adopting an appropriate resolution.

Article 34 Meeting Minutes of the Board Meeting

Staff personnel of the Company attending board meetings shall collect and correctly record the meeting minutes in detail, as well as a summary, the method of resolution, and voting results of all the proposals submitted to the board meeting in accordance with relevant regulations.

The minutes of the board of directors meetings shall be signed by the chairperson and secretary of the meeting and sent to each director and supervisor within 20 days after the meeting. The director attendance records shall be made part of the meeting minutes, treated as important corporate records, and kept safe permanently during the life of the Company.

Meeting minutes may be produced, distributed, and preserved by electronic means.

The Company shall record on audio or video tape the entire proceedings of a board of directors meeting and preserve the recordings for at least 5 years, in electronic form or otherwise.

If before the end of the preservation period referred to in the preceding paragraph a lawsuit arises with respect to a resolution of a board of directors meeting, the relevant audio or video recordings shall be preserved for a further period, in which case the preceding paragraph does not apply.

Where a board of directors meeting is held via teleconference or video conference, the audio or video recordings of the meeting form a part of the meeting minutes and shall be preserved permanently.

When a resolution of the board of directors violates laws, regulations, the Articles of Incorporation, or resolutions adopted in the shareholders meeting, and thus causes an injury to the Company, dissenting directors whose dissent can be proven by minutes or written statements will not be liable for damages.

Article 35 Matters Shall be Submitted to the Board of Directors for Discussion

The Company shall submit the following matters to its board of directors for discussion:

1. Corporate business plans.
2. Annual and quarterly financial reports.
3. Adoption or amendment to an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, to the handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives

trading, extension of monetary loans to others, and endorsements or guarantees for others.

5. The offering, issuance, or private placement of any equity-type securities.
6. The performance assessment and the standard of remuneration of the managerial officers.
7. The structure and system of director's remuneration.
8. The appointment or discharge of a financial, accounting, or internal audit officer.
9. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders meeting or to be approved by resolution at a meeting of the board of directors, or any such significant matter as may be prescribed by the competent authority.

The Company shall submit the meeting minutes of the internal control system deficiency review symposium to the board of directors for report.

Except for matters that must be submitted to the board of directors for discussion under the first paragraph, when the board of directors is in recess, it may delegate the exercise of its power to others in accordance with law, regulations, or its Articles of Incorporation. However, the level of delegation or the content or matters to be delegated shall be clearly specified, and general authorization is not permitted.

Article 36 Ask the Appropriate Corporate Department or Personnel to Execute Matters Pursuant to Board of Directors' Resolutions

The Company shall ask the appropriate corporate department or personnel to execute matters pursuant to board of directors' resolutions in a manner consistent with the planned schedule and objectives. It shall also follow up on those matters and faithfully review their implementation.

The board of directors shall remain informed of the progress of implementation and receive reports in subsequent meetings to ensure the actual implementation of the board's management decisions.

Article 37 Members of The Board of Directors Shall Faithfully Conduct Corporate Affairs and Perform the Duty of Care of a Good Administrator

Members of the board of directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator. In conducting the affairs of the Company, they shall exercise their powers with a high level of self-discipline and prudence. Unless matters are otherwise reserved by law for approval in shareholders meetings or in the Articles of Incorporation, they shall ensure that all matters are handled according to the resolutions of board of directors

Independent directors shall perform their duties in accordance with relevant regulations and the Company's Articles of Incorporation to protect the rights and interests of the Company and its shareholders.

Article 38 Request of Shareholders or An Independent Director, or Notice of A Supervisor to Discontinue the Implementation of the Resolution

If a resolution of the board of directors violates law, regulations or the Company's Articles of Incorporation, then at the request of shareholders holding shares continuously for a year or an independent director, or at the notice of a supervisor to discontinue the implementation of the resolution, members of the board shall take appropriate measures or discontinue the implementation of such resolution as soon as possible.

Upon discovering a likelihood that the Company would suffer material injury, members of the board of directors shall immediately report to the audit committee, an independent director member of the audit committee, or a supervisor in accordance with the foregoing paragraph.

Article 39 Director Liability Insurance

The Company shall take out directors' liability insurance with respect to liabilities resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk of material harm to the Company and shareholders arising from the wrongdoings or negligence of a director.

Article 40 Members of The Board of Directors Participate in Training Courses

Members of the board of directors are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies, which cover subjects relating to corporate governance upon becoming directors and throughout their terms of occupancy. They shall also ensure that company employees at all levels will enhance their professionalism and knowledge of the law.

Chapter IV Empowering Supervisors

Article 41 Stipulate a Fair, Just, and Open Procedure for the Election of Supervisors

The Company shall stipulate a fair, just, and open procedure for the election of supervisors, and shall adopt a cumulative voting mechanism pursuant to the Company Act to fully reflect the opinions of the shareholders.

The Company shall take into consideration the needs of overall business operations and comply with the rules of the TWSE or TPEX in setting the minimum number of supervisors.

The aggregate shareholding percentage of all of the supervisors of the Company shall comply with laws and regulations. Restrictions on share transfers by each supervisor and the creation, release, or changes in pledges of shares held by each supervisor shall comply with the relevant laws and regulations, and the relevant information shall be fully disclosed.

Article 42 At Least One Supervisor Seat Shall Have No Spousal Relationship or Familial Relationship Within the Second Degree of Kinship with Another Supervisor or a Director

Unless otherwise approved by the competent authority, at least one supervisor seat shall have no spousal relationship or familial relationship within the second degree of kinship with another supervisor or a director.

The Company is advised to refer to the provisions on independence provided in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and appoint a suitable supervisor to enhance the risk management and financial and operational control of the Company.

A supervisor will preferably be domiciled within the territory of the ROC to allow timely performance of supervisory functions.

Article 43 A Supervisor Shall be Familiar with the Relevant Laws and Regulations, and Shall Understand the Rights, Obligations, and Duties of Directors of the Company

A supervisor shall be familiar with the relevant laws and regulations, and shall understand the rights, obligations, and duties of directors of the Company and the functions, duties, and operation of each department. A supervisor shall attend meetings of the board of directors to supervise their operations and to state his/her opinions when appropriate so as to grasp or discover any abnormal situation early on.

The Company shall stipulate the supervisor's remuneration in its Articles of Incorporation or by an approval in a shareholders meeting.

Article 44 A Supervisor Shall Supervise the Implementation of the Operations of the Company, and the Performance of Duties by Directors and Managers

A supervisor shall supervise the implementation of the operations of the Company, and the performance of duties by directors and managers, and care the enforcement of the internal control system so as to reduce the financial and operational risks of the Company.

Where a director, for himself/herself or on behalf of others, enters into a sale/purchase or loan transaction, or conducts any legal act with the Company, a supervisor shall act as the representative of the Company. In the event that the Company has set up an audit committee, an independent director member of the audit committee shall act as the representative of the Company in the above situation.

Article 45 A Supervisor May Investigate the Operational and Financial Conditions of the Company from Time to Time

A supervisor may investigate the operational and financial conditions of the Company from time to time, and the relevant departments in the Company shall provide the books or documents that will be needed for the supervisor's review, transcription or duplication.

When reviewing the finance or operations of the Company, a supervisor may retain attorneys or CPAs on behalf of the Company to perform the review; however, the Company shall inform the relevant persons of their confidentiality obligations.

The board of directors or managers shall submit reports in accordance with the request of the supervisors and shall not for any reason circumvent, obstruct, or refuse the inspection of the supervisor.

When a supervisor performs his/her duties, the Company shall provide necessary assistance as needed by the supervisor, and the reasonable expenses that the supervisor needs shall be borne by the Company.

Article 46 Establish a Channel for Supervisors to Communicate with the Employees, Shareholders, and Stakeholders

For supervisors to timely discover any possible irregular conduct in the Company, the Company shall establish a channel for supervisors to communicate with the employees, shareholders, and stakeholders.

Upon discovering any irregular conduct, a supervisor shall take appropriate measures timely to curb the expansion of the irregular conduct, and file a report to the relevant regulatory authorities or agencies if necessary.

When an independent director or general manager, an officer of the finance, accounting, research and development, or internal audit department, or a CPA resigns or is removed from his/her position, the supervisors shall investigate the reasons.

In the event that a supervisor neglects his/her duties and therefore causes harm

to the Company, the supervisor shall be liable to the Company.

Article 47 Each Supervisor Exercises His/Her Power

When exercising his/her supervisory power, each supervisor of the Company may, after taking into consideration the overall interest of the Company and shareholders, convene a meeting to exchange opinions among all the supervisors when he or she feels necessary, but in so doing may not obstruct supervisors in exercising their duties.

Article 48 Supervisor Liability Insurance

The Company shall take out supervisors liability insurance with respect to liabilities resulting from the exercise of duties during their terms, so as to reduce and spread the risk of material harm to the Company and shareholders arising from the wrongdoing or negligence of a supervisor.

Article 49 Supervisors Participates in Training Courses

Upon becoming supervisors and throughout their terms, supervisors are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies covering subjects relating to corporate governance.

Chapter V Respecting Stakeholders' Rights

Article 50 Maintain Communication with Stakeholders and Safeguard their Rights and Interests

The Company shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders of the Company, respect and safeguard their legal rights and interest.

When a management buyout (MBO) occurs in, the Company shall pay attention to the soundness of the subsequent company's financial structure.

When any of a stakeholder's legal rights or interests is harmed, the Company shall handle the matter in a proper manner and in good faith.

Article 51 Provide Sufficient Information to Banks and Other Creditors

The Company shall provide sufficient information to banks and its other creditors to facilitate their evaluation of the operational and financial conditions of the Company and its decision-making process. When any of their legal rights or interest is harmed, the Company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

Article 52 Establish Channels of Communication with Employees

The Company shall establish channels of communication with employees and encourage employees to communicate directly with the management, directors, or supervisors so as to reflect employees' opinions about the management, financial conditions, and material decisions of the Company concerning employee welfare.

Article 53 Social Responsibility

In developing its normal business and maximizing the shareholders' interest, the Company shall pay attention to consumers' interests, environmental protection of the community, and public interest issues, and shall give serious regard to the Company's social responsibility.

Chapter VI Improving Information Transparency

Article 54 Disclosure of Information and Internet-based Reporting System

Disclosure of information is a major responsibility of the Company. the Company shall perform its obligations faithfully in accordance with the relevant laws and the related TWSE and TPEX rules.

The Company shall establish an Internet-based reporting system for public information, appoint personnel responsible for gathering and disclosing the information, and establish a spokesperson system so as to ensure the proper and timely disclosure of information about policies that might affect the decisions of shareholders and stakeholders.

Article 55 Appoint a Spokesperson

In order to enhance the accuracy and timeliness of the material information disclosed, the Company shall appoint a spokesperson and acting spokesperson(s) who understand thoroughly the Company's financial and business conditions and who are capable of coordinating among departments for gathering relevant information and representing the Company in making statements independently. The Company shall appoint one or more acting spokespersons who shall represent the Company, when the spokesperson cannot perform his/her duties, in making statements independently, provided that the order of authority is established to avoid any confusion.

In order to implement the spokesperson system, the Company shall unify the process of making external statements. It shall require the management and employees to maintain the confidentiality of financial and operational secrets and prohibit their disclosure of any such information at will.

The Company shall disclose the relevant information immediately whenever there is any change to the position of a spokesperson or acting spokesperson.

Article 56 Set Up a Website for Corporate Governance

In order to keep shareholders and stakeholders fully informed, the Company shall utilize the convenience of the Internet and set up a website containing the information regarding the Company's finances, operations, and corporate governance. It is also advisable for the Company to furnish the financial, corporate governance, and other relevant information in English.

To avoid misleading information, the aforesaid website shall be maintained by specified personnel, and the recorded information shall be accurate, detailed and updated on a timely basis.

Article 57 Methods of Holding an Institutional Investor Conference

The Company shall hold an institutional investor conference in compliance with the regulations of the TWSE and TPEX, and shall keep an audio or video record of the meeting. The financial and business information disclosed in the investor conference shall be disclosed on the Market Observation Post System and provided for inquiry through the website established by the Company, or through other channels, in accordance with the TWSE or TPEX rules.

Article 58 Disclose Information of Corporate Governance

The Company shall disclose the following information regarding corporate governance in the fiscal year, in accordance with relevant regulations and TWSE or TPEX rules:

1. Corporate governance framework and rules.
2. Ownership structure and the rights and interests of shareholders.
3. Structure and independence of the board of directors.
4. Responsibility of the board of directors and managerial officers.

5. Composition, duties and independence of the audit committee or supervisors.
 6. Composition, duties and operation of the remuneration committee.
 7. The remuneration paid to the directors, supervisors, president and vice president in the most recent fiscal year, the analysis of the percentage of total remuneration to net profit after tax, the policy, standard and package of remuneration payment, the procedure for determination of remuneration and the connection with the operation performance.
 8. The progress of training of directors and supervisors.
 9. The rights of and relationships between the stakeholders.
 10. Details of the events subject to information disclosure required by law and regulations.
 11. The enforcement of corporate governance, differences between the corporate governance best practice principles implemented by the Company and these Principles, and the reason for the differences.
 12. Other information regarding corporate governance.
- The Company is advised, according to the actual performance of the corporate governance system, to disclose the plans and measures to improve its corporate governance system through appropriate mechanisms.

Chapter VII Supplementary Provisions

Article 59 Monitor Domestic and International Developments

The Company shall at all times monitor domestic and international developments in corporate governance as a basis for review and improvement of the Company's own corporate governance mechanisms, so as to enhance their effectiveness.

Article 60 Implementation

These Principles were implemented after the approval of the board of directors in 27 December 2015 and the same shall be applied to additions, deletions, and revisions.

Froch Enterprise Co., Ltd.

Board of Directors Conference Rules (before amendment)

- Article 1 To establish a strong governance system and sound supervisory capabilities for the Company's board of directors and to strengthen management capabilities, these Rules are adopted pursuant to the Regulations Governing Procedure for Board of Directors Meetings of Public Companies. °
- Article 2 With respect to the board of directors meetings ("board meetings") of the Company, the main agenda items, working procedures, required content of meeting minutes, public announcements, and other compliance requirements shall be handled in accordance with the provisions of these Rules.
- Article 3 The board of directors shall meet at least quarterly. A notice of the reasons for convening a board meeting shall be given to each director through E-mail or facsimile 7 days before the meeting is convened. In emergency circumstances, however, a board meeting may be called on shorter notice through E-mail or facsimile.
All matters set forth under Article 12, paragraph 1 of these Rules shall be specified in the notice of the reasons for convening a board meeting. None of those matters may be raised by an extraordinary motion except in the case of an emergency or for other legitimate reason.
- Article 4 The Company's board of directors shall designate a unit for handling meeting matters and specify in the Rules.
The unit responsible for board meetings shall draft agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting.
A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for board meetings. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the board of directors.
- Article 5 When a board meeting is held, an attendance book shall be provided for signing-in by attending directors, which shall be made available for future reference.
Directors shall attend board meetings in person. A director unable to attend in person may appoint another director to attend the meeting in his or her place in accordance with the Company's Articles of Incorporation. Attendance by videoconference will be deemed attendance in person.
A director who appoints another director to attend a board meeting

shall in each instance issue a proxy form stating the scope of authorization with respect to the reasons for convening the meeting. The proxy referred to in paragraph 2 may be the appointed proxy of only one person.

Article 6 A board meeting shall be held at the premises and during the business hours of the Company, or at a place and time convenient for all directors to attend and suitable for holding board meetings.

Article 7 Board meetings shall be convened and chaired by the Chairman of the board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.

When the Chairman of the board is on leave or for any reason unable to exercise the powers of Chairman, the vice Chairman shall act in place of the Chairman; if there is no vice Chairman or the vice Chairman is also on leave or for any reason unable to exercise the powers of vice Chairman, the Chairman shall appoint one of the managing directors to act, or, if there are no managing directors, one of the directors shall be appointed to act as chair. If no such designation is made by the Chairman, the managing directors or directors shall select one person from among themselves to serve as chair.

Article 8 1. When a board meeting is held, the board of directors or the designated unit responsible for the board meetings shall furnish the attending directors with relevant materials for ready reference.

2. As merited by the content of a proposal to be put forward at a board meeting, personnel from a relevant department or a subsidiary may be notified to attend the meeting. When necessary, certified public accountants, attorneys, or other professionals retained by this Corporation may also be invited to attend the meeting to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place.

3. The Chair shall call the board meeting to order at the appointed meeting time and when more than one-half of all the directors are in attendance. If one-half of all the directors are not in attendance at the appointed meeting time, the chair may announce postponement of the meeting time, provided that no more than two such postponements may be made. If the quorum is still not met after two postponements, the chair shall reconvene the meeting in accordance with the procedures in Article 3, paragraph 2.

4. The number of "all directors," as used in the preceding paragraph shall be counted as the number of directors then actually in office.

- Article 9 Proceedings of a board meeting shall be recorded in their entirety in audio or video, and the recording shall be retained for a minimum of 5 years. The record may be retained in electronic form.
If any litigation arises with respect to a resolution of a board meeting before the end of the retention period of the preceding paragraph, the relevant audio or video record shall be retained until the conclusion of the litigation.
Where a board meeting is held by videoconference, the audio or video documentation of the meeting constitutes part of the meeting minutes and shall be retained for the duration of the existence of the Company.
- Article 10 Agenda items for regular board meetings of the Company shall include at least the following:
1. Matters to be reported:
 - A. Minutes of the last meeting and action taken.
 - B. Important financial and business matters.
 - C. Internal audit activities.
 - D. Other important matters to be reported.
 2. Matters for discussion:
 - A. Items for continued discussion from the last meeting.
 - B. Items for discussion at this meeting.
 3. Extraordinary motions.
- Article 11 A board meeting shall follow the agenda given in the meeting notice. However, the agenda may be changed with the approval of a majority of directors in attendance at the board meeting.
The chair may not declare the meeting closed without the approval of a majority of the directors in attendance at the meeting.
At any time during the course of a board meeting, if the number of directors sitting at the meeting does not constitute a majority of the attending directors, then upon the motion by a director sitting at the meeting, the chair shall declare a suspension of the meeting, in which case Article 8, paragraph 3 shall apply mutatis mutandis.
- Article 12 The matters listed below as they relate to this Corporation shall be raised for discussion at a board meeting:
1. The Corporation's business plan.
 2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports that are not required under relevant laws and regulations to be audited and attested by a certified public accountant (CPA).
 3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act and assessment of the effectiveness of the internal control system.
 4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.
 5. The offering, issuance, or private placement of equity-type

securities.

6. The appointment or discharge of a financial, accounting, or internal audit officer.
7. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.
8. Any matter that, under Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw, must be approved by resolution at a shareholders' meeting or board meeting, or any material matter as may be prescribed by the competent authority.

The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year. (In the case of a foreign issuer whose shares have no par value or a par value other than NT\$10, 2.5 percent of shareholders' equity shall be substituted for the calculation of the amount equal to 5 percent of paid-in capital required under this paragraph.)

The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of directors meeting is convened. Amounts already submitted to and passed by a resolution of the board are exempted from inclusion in the calculation.

Article 13 When the Chair at a board meeting 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 call a vote.

When a proposal comes to a vote at a board meeting, if no attending director voices an objection following an inquiry by the Chair, the proposal will be deemed approved. If there is an objection following an inquiry by the Chair, the proposal shall be brought to a vote.

One voting method for proposals at a board meeting shall be selected by the Chair from among those below, provided that when an attending director has an objection, the Chair shall seek the opinion of the majority to make a decision:

1. A show of hands or a vote by voting machine.
2. A roll call vote.
3. A vote by ballot.
4. A vote by a method selected at the Company's discretion.

Article 14 Except where otherwise provided by the Securities and Exchange Act

and the Company Act, the passage of a proposal at a board meeting shall require the approval of a majority of the directors in attendance at a board of directors meeting attended by a majority of all directors. When there is an amendment or 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. If any one among them is passed, the other proposals shall then be deemed rejected, and no further voting on them shall be required. If a vote on a proposal requires monitoring and counting personnel, the chair shall appoint such personnel, providing that all monitoring personnel shall be directors.

Voting results shall be made known on-site immediately and recorded in writing.

Article 15 If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of this Corporation, that director may state opinions and answer questions, but that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.

Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 180, paragraph 2 of the Company Act apply *mutatis mutandis* in accordance with Article 206, paragraph 3 of the same Act.

Article 16 Discussions at a board meeting shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:

1. The meeting session (or year) and the time and place of the meeting.
2. The name of the chair.
3. The directors' attendance at the meeting, including the names and the number of directors in attendance, excused, and absent.
4. The names and titles of those attending the meeting as non-voting participants.
5. The name of the minute taker.
6. The matters reported at the meeting.
7. Agenda items: the method of resolution and the result for each proposal; a summary of the comments made by directors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing.

8. Extraordinary motions: The name of the mover, the method of resolution and the result, a summary of the comments of any director, expert, or other person; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and opinions expressing objections or reservations at the meeting that were included in records or stated in writing.

9. Other matters required to be recorded.

Article 17 With the exception of matters required to be discussed at a board meeting under Article 12, paragraph 1, the board of directors may authorize the Chairman to exercise the powers of the board in accordance with applicable laws and regulations or the Company's Articles of Incorporation. The content of the authorization is as follow:

1. Verification of all important contracts.
2. Verification of real estate mortgage loans and other borrowings.
3. Approval of the purchase and disposal of general and immovable property of the Company.
4. Appointment of directors of the reinvestment company.
5. Approval of benchmark dates for capital increase or reduction, cash dividend distribution, stock allocation or subscription, and changes in dividend distribution ratios.

Article 18 The formulations and amendment of the Conference Rules shall be approved by the Company's board of directors.

Froch Enterprise Co., Ltd.

Articles of Incorporation (before amendment)

Article 1

The Company is incorporated in accordance with The Company Act, and has been named 彰源企業股份有限公司. (English Name is FROCH ENTERPRISE CO., LTD.)

Article 2

Business activities of the Company are as follows:

- CA01010 Iron and Steel Refining
- CA01020 Iron and Steel Rolling and Extruding
- CA01030 Iron and Steel Casting
- CA01050 Further Processing of Steel
- CA02990 Other Fabricated Metal Products Manufacturing
- CA03010 Heat Treatments
- CA04010 Surface Treatments
- CB01010 Machinery and Equipment Manufacturing
- D101060 Self-consumed Renewable-Energy-Based Power Generation Equipment
- F106010 Wholesale of Ironware/Hardware
- F401010 International Trade
- I501010 Product Designing
- ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval

Article 3

The Company is headquartered in Yunlin County, Taiwan, and may establish domestic or foreign branches at appropriate locations when deemed necessary.

Article 4 Deleted

Article 5

To diversify business activities, the Company may invest into other businesses with the amount more than 40% of the Company's paid-up capital.

Article 6

The Company may stand as a guarantor as needed to external parties for business activities.

Article 7

Authorized capital of the Company is set at NT\$4,000,000,000, available in 400,000,000 shares of 10 New Taiwan Dollars par value per share. The board of

directors is authorized to approve offering of unissued shares in multiple issues. Any sale of shares to employees at prices below the Company's average purchase price shall be resolved before transferring in a nearest shareholders' meeting with the presence of shareholders representing more than half of outstanding shares, and voted in favor by more than two-thirds of votes present in the meeting.

Article 8

All shares of the Company shall bear a true name. Share certificates shall be numbered, issued with the authorized signature(s) or seal(s) of one or more representing directors, and are subject to certification by the bank which is competent to certify shares under the law. Shares of the Company may be issued in non-tangible form, subject to registration with the centralized securities depository.

Article 9

Transfer of share ownership shall be suspended during 60 days prior to an annual general meeting of shareholders, during 30 days prior to an extraordinary shareholders' meeting, and during the 5 days prior to the baseline date of distribution of any dividend, bonus or rights.

Article 10

Annual profits concluded by the Company are subject to employee remuneration of 1%, which the board of directors may decide to distribute in cash or in shares. Employees who meet certain criteria are entitled to receiving remuneration. Up to 3% of the aforementioned profit may be distributed as directors' remuneration at the discretion of the board of directors. Employee and director remuneration proposals are to be reported for resolution during shareholders' meetings. Profits must first be taken to compensate cumulative losses, if any, before the remainder can be distributed as employee/director remuneration in the above percentages.

Article 10-1

Annual profit concluded by the Company are first subject to taxation and compensation of previous losses, followed by a 10% provision for legal reserves; however, no further provision is needed when legal reserves have accumulated up to the amount of the Company's paid-up capital. Any surpluses remaining shall then be subject to provision or reversal of special reserves, as the laws may require. The board of directors can make a dividend proposal combining the residual balance from above and the undistributed earnings carried from previous years, subject to resolution in a shareholders' meeting.

The distributable dividends and bonuses, capital reserve, legal reserve, in whole

or in part, may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. The above-mentioned "subject to resolution in a shareholders meeting" does not apply.

The Company's dividend policy has been established to accommodate current and future development plans after taking into consideration the investment environment, capital requirement, domestic/foreign competition, and shareholders' interests. No less than 50% of distributable earnings shall be paid as dividend each year, but the Company may decide to withhold earnings if the amount of distributable earnings is less than 10% of paid-up capital. Dividends can be paid in cash or in shares, with cash dividends amounting to no less than 20% of total dividends.

Article 11

The Company holds two types of shareholders' meeting: the annual general meeting and extraordinary meeting. The annual general meeting is held once a year within six months after the end of an accounting period, whereas extraordinary shareholders' meetings may be held whenever deemed necessary, subject to compliance with the relevant laws. The shareholders' meetings may be held by means of visual communication network or other methods promulgated by the central competent authority.

Article 12

If a shareholder is unable to attend the shareholders' meeting in person, a proxy can be appointed by completing the Company's proxy form and by specifying the scope of delegated authority. Unless otherwise regulated in Article 177 of The Company Act, delegation of proxy attendants by shareholders shall comply with "Regulations Governing the Use of Proxies for Attendance at Shareholders' Meetings of Public Companies." With the exception of trust enterprises and certain share transfer agencies approved by the authority, a proxy may not represent more than 3% of total voting rights in aggregate when representing two or more shareholders during the meeting. Voting rights that exceed this threshold shall be excluded from calculation.

Article 13

The Shareholders' Meeting shall be convened by the board of directors and the Chairman of the board shall preside the meeting. When the Chairman is unable to attend the meeting, the Vice Chairman shall be as deputy to chair the meeting. When the Vice Chairman is also unable to attend the meeting, the Chairman shall designate one of the board directors as deputy to chair the

meeting, failing which the directors shall elect one among themselves to chair the meeting. Shareholders' meetings that are convened by other authorized parties shall be chaired by the convener; if there are two or more conveners, one shall be appointed among them to act as chairman.

Article 14

Shareholders of the Company are entitled to one vote for every share held, except for the circumstances described in Article 179 of The Company Act where shareholders are prohibited from exercising voting rights.

Article 15

Except otherwise regulated by law, a shareholders' meeting resolution is passed when more than 50% of all outstanding shares are represented in the meeting, and voted in favor by more than 50% of all voting rights represented at the meeting. If votes are tied, the chairman shall have the deciding vote. According to the authority's regulations, shareholders of the Company may cast vote electronically. Shareholders who cast votes electronically are considered to have attended the shareholders' meeting in person. Electronic voting shall proceed as regulated by law.

Article 16

Shareholders' meeting resolutions shall be compiled into detailed minutes, signed or sealed by the Chairman, and disseminated to each shareholder by no later than 20 days after the meeting. Preparation and dissemination of meeting minutes can be made in electronic form. The minutes shall detail the date and venue of the meeting, the Chairman's name, the method of resolution, the proceeding and results of various motions. Minutes shall be retained for as long as the Company exists. Given that the Company is a public company, dissemination of meeting minutes can be made via public announcement instead.

Article 17

The Company has 5 to 7 board directors. With adoption of the candidates nomination system, the directors are elected in shareholders' meetings from persons of adequate capacity to serve a term of three years, the term is renewable if re-elected. The number of directors mentioned above shall include no fewer than three independent directors that make up no less than 1/5 of director seats. With adoption of the candidates nomination system, independent directors shall be elected by shareholders from the list of nominated candidates. Restrictions concerning independent directors' eligibility, shareholding, concurrent employment, nomination, method of election, and all other compliance issues are governed by relevant laws of the

securities authority. Once the Company has made a public offering of shares, directors' total shareholding shall comply with rules of the securities authority.

Article 17-1

More than half of the Company's board members shall consist of persons who are free of the following relationships:

1. Spouse,
2. Relatives of 2nd degree or closer.

Article 18

If the board loses more than one-third of its directors, the board of directors shall convene an extraordinary shareholders' meeting within 60 days to elect new members for the shortfall. In which case, the newly elected members shall serve the remaining term of the existing board.

Article 19

If directors can not be re-elected in time at the end of service, the existing directors shall have their services extended until new directors have been elected and commence duty.

Article 20

The elected directors shall assemble a board of directors and elect one Chairman and one Vice Chairman during a board meeting with at least two-thirds of members present and consent from more than half of attending directors. The Chairman represents the Company externally, and executes all company affairs according to laws, the Articles of Incorporation, and shareholder/board meeting resolutions.

Article 21

The first meeting of a new board is to be convened according to Article 203 of The Company Act, whereas all subsequent board meetings shall be convened and chaired by the Chairman. If the Chairman is unable to perform duties for any reason, the Vice Chairman shall be as deputy to chair the meeting. When the Vice Chairman is also unable to attend the meeting, the Chairman shall designate one of the directors to act as deputy to chair the meeting, failing which the directors shall elect one among themselves to act as deputy to chair the meeting.

Article 21-1

The Company shall convene board of directors meetings at least once every quarter. Convention of board meeting must be notified to all directors 7 days in advance with detailed agenda. However, board meetings may be convened upon event of emergency with shorter notices. Convention of board of directors meetings may be advised in writing, fax, or through e-mail.

Article 22

The Company's operating guideline and other major matters are decided by the Board of Directors. In addition to the functions and powers conferred by the Company Act and the shareholders' meeting, the powers of the Board of Directors also include the following matters:

1. Approval and amendment of the "Articles of Incorporation".
2. Approval of annual budget and review of annual final accounts.
3. Certain amounts or prices of capital expenditure and approval of contracts
4. Approval on the Company's applications to financial institutions for financing, guarantee, acceptance and other loans, and borrowing and non-operating advances within certain amounts or prices.
5. Approval of endorsement, guarantee and acceptance in the name of the Company.
6. Establishment and abolition of branches. °
7. Approval of reinvestments in other businesses.
8. The procedure of approving acquisition or disposal of assets shall be established in accordance with the "Rules for acquisition or disposal of assets" established by the Company.
9. Approval and revision of investment plans for plant construction or expansion.
10. Acquisition, transfer, grant of specialized technical skills and patent rights, and approval, revision, and termination of technical cooperation contracts.
11. Proposals for earnings distribution and special compensation.
12. Proposals for the Company's capital increase or reduction.
13. Major changes in the Company's operation or organization.
14. Approval for the regulations on transactions between the Company and its affiliated enterprises or with shareholders, directors and their relatives.
15. Resolved to acquire the Company's shares for assigning to employees.
16. Appointment, dismissal, and remuneration of the CPA.

Article 23

Directors who are unable to attend board meetings may appoint other directors as their proxy, by issuing a proxy form detailing the scope of authority delegated to the proxy attendant. Each director can only represent the presence of one other director.

Article 24

The Company may pay salary and travel allowances to its directors irrespective of Company's profitability. In addition to the amount outlined in Article 10 of the Articles of Incorporation, the board of directors is authorized to set payment standards in reference to peers and the general salary level.

Article 25

The Company may create managerial positions. The appointment, dismissal and remuneration of whom shall comply with Article 29 of The Company Act.

Article 26

The Company's board of directors is responsible for preparing the following statements and reports at the end of each financial year; these statements and reports must be submitted to the Audit Committee for review at least 30 days prior to shareholders' meeting, so that the Audit Committee may present them during the annual general meeting of shareholders for ratification:

1. Business report,
2. Financial statements,
3. Earnings appropriation or loss reimbursement proposals.

Article 27

The Company's organizational rules and administrative principles shall be established separately by the board of directors.

Article 28

Any matters that are not addressed in the Articles of Incorporation shall be governed by The Company Act and related laws.

Article 29

The Articles of Incorporation was established on September 15, 1984; the 1st amendment was made on June 2, 1986; the 2nd amendment was made on August 11, 1988; the 3rd amendment was made on June 5, 1989; the 4th amendment was made on September 28, 1989; the 5th amendment was made on June 2, 1990; the 6th amendment was made on January 25, 1991; the 7th amendment was made on May 12, 1991; the 8th amendment was made on May 12, 1992; the 9th amendment was made on October 17, 1992; the 10th amendment was made on April 25, 1995; the 11th amendment was made on August 30, 1996; the 12th amendment was made on October 21, 1996; the 13th amendment was made on May 16, 1997; the 14th amendment was made on March 20, 1998; the 15th amendment was made on May 28, 1999; the 16th amendment was made on May 26, 2000; the 17th amendment was made on May 10, 2001; the 18th amendment was made on June 5, 2002; the 19th amendment was made on May 28, 2003; the 20th amendment was made on May 11, 2004; the 21st amendment was made on May 25, 2005; the 22nd amendment was made on June 6 2006; the 23rd amendment was made on June 13, 2007; the 24th amendment was made on June 13, 2008; the 25th amendment was made on June 16, 2009; the 26th amendment was made on June 15, 2010; the 27th amendment was made on June 13, 2012; the 28th

amendment was made on June 17, 2013; the 29th amendment was made on June 16, 2015; the 30th amendment was made on June 21, 2016; the 31st amendment was made on June 13, 2019; and the 32nd amendment was made on June 12, 2020; and the 33rd amendment was made on August 19, 2021; and the 34th amendment was made on June 21, 2022. All of which have been implemented after the approval of the government authorities.

Froch Enterprise Co., Ltd.

Shareholder Conference Rules

Article 1

Shareholders' meetings of the Company shall proceed according to the Rules.

Article 2

The meeting notice must specify meeting time, venue, and important notes where relevant.

Admission of meeting attendees shall begin at least 30 minutes before the meeting commences. The reception area must be clearly marked and stationed with adequate and competent personnel.

Shareholders and Proxies thereof (collectively referred to as shareholders) shall attend shareholders' meetings by presenting valid conference pass, attendance sign-in card or other document of similar nature. Proxy form solicitors are required to bring identity proof for verification.

Shareholders shall present attendance sign-in cards to signify their presence. The number of shares represented in meeting is counted based on the attendance sign-in cards collected. Attendance and votes during shareholders' meetings are calculated in shares. Where the shareholder is a government agency or corporate entity, more than one representative may attend shareholder's meetings on their behalf. Corporate entities that have been designated as proxy attendants can only appoint one representative to attend shareholders' meetings.

Shareholders who attend the meeting shall be given a copy of the conference handbook, annual reports, attendance pass, speaker's slip, voting ballot, and any information relevant to the meeting. The Company shall prepare additional ballots if director or supervisor election is also being held during the meeting.

Article 3

The Chairman should announce commencement of meeting as soon as current attendees represent more than half of the Company's outstanding shares. The Chairman may postpone the meeting twice up to a maximum of one hour if the number of shares represented on-site falls short of the statutory requirement when the meeting is due to commence. If attending shareholders represent more than one-third but less than half of outstanding shares after two postponements, the attending

shareholders may reach a tentative resolution according to Article 175 of The Company Act. If the number of shares represented on-site accumulates above the statutory requirement as meeting progresses after a tentative resolution is reached, the Chairman may propose the tentative resolution for final voting according to Article 175 of The Company Act.

Article 4

For shareholders' meetings that are convened by the board of directors, the board of directors will determine the meeting agenda. Meetings shall progress according to agenda, which can not be altered unless resolved by attending shareholders. This rule also applies to shareholders' meetings that are convened by authorized parties other than the board of directors. The Chairman may not call for adjournment until all motions of the agenda are concluded, unless otherwise resolved by attending shareholders. After the meeting is adjourned, shareholders may not motion to elect an alternative Chairman to continue the meeting, whether at the current or an alternative venue.

Article 5

Shareholders who wish to speak during the meeting must produce a speaker's slip detailing the shareholder's name and attendance pass number. The Chairman shall determine the speaking order of shareholders. Attending shareholders may not speak for more than five minutes, but a three-minute extension can be granted with Chairman's permission. Each shareholder shall not speak for more than two times on the same motion.

Article 6

Shareholders' meetings that are convened by the board of directors shall be chaired by the Chairman. If the Chairman is unable to perform duty due to leave of absence or any reasons, the Vice Chairman shall be as deputy to chair the meeting. When the Vice Chairman is also unable to attend the meeting, the Chairman shall designate one of the directors to act as deputy to chair the meeting, failing which the directors shall elect one among themselves to chair the meeting. Shareholders' meetings that are convened by other authorized parties shall be chaired by the convener; if there are two or more conveners, one shall be appointed among them to act as Chairman.

Where Chairman position of the preceding paragraph is to be assumed by a managing director or director, the managing director or director must be on the board for more than six months and possess adequate

understanding of the Company's financial and business situation. The same applies if the Chairman is a representative of an institutional director.

Article 7

The Company shall record non-stop, in audio or video, from the time the shareholder admission is being processed and throughout the entire meeting proceeding, voting process, and vote count.

These recordings must be retained for at least one year. However, should a shareholder raise a litigious claim against the Company in accordance with Article 189 of The Company Act, the abovementioned documents must be retained until the end of the litigation.

Article 8

The Chairman may announce to discontinue further discussion if the topic in question is considered to have been sufficiently discussed to proceed with voting.

Article 9

A motion is passed if supported by more than half of voting rights represented on-site. Alternatively, a motion is considered passed if the Chairman receives no objection from any attendee upon inquiry. This alternative voting method carries the same effect as the conventional ballot method. If the Chairman violates shareholder conference rules by calling for adjournment when it is not allowed to do so, attending shareholders may elect another Chairman with the support of more than half of voting rights represented on-site to continue the meeting.

Article 10

The Chairman may call the meeting into recess at a suitable time during the meeting proceeding.

Article 11

Shareholders' meetings shall be held at the Company's location or at locations that are suitable and convenient for shareholders to attend. Meetings must not commence anytime earlier than 9AM or later than 3PM.

Article 12

The Company may summon its lawyers, certified public accountants, and any relevant personnel to be present at shareholders' meetings.

Article 13

Corporate entities may only appoint one representative to attend shareholders' meetings. Where a corporate shareholder has appointed two or more representatives to attend the shareholders' meeting, only

one representative may speak per motion.

Article 14

After a shareholder has finished speaking, the Chairman may answer the shareholder's queries personally or appoint any relevant personnel to answer.

Article 15

The Chairman shall appoint ballot examiners and ballot counters for the voting process, and the ballot examiner must be a shareholder. Results of vote are to be announced on-site and recorded in minutes.

Article 16

Any matters that are not addressed in the Rules shall be governed by The Company Act and Articles of Incorporation of the Company.

Article 17

Motion and election votes are to be counted openly at the shareholders' meeting. Results of the vote, including the final tally, shall be announced on-site and recorded in minutes.

Shareholders' meetings that involve election of directors shall proceed according to the Company's election rules. Results of the election, including the list of elected directors and the final tally, must be announced on-site.

Article 18

The Rules may be amended at any time to cover details that are not addressed herein.