

Stock code: 2030



彰源企業股份有限公司
FROCH ENTERPRISE CO., LTD.

**2021 Annual General Meeting of
Shareholders**

Conference Handbook

Venue: No. 7, Dougong 10th Road, Tou-Liu City, Yun-Lin County

June 16, 2021

NOTES TO READERS

This document is presented in both Chinese version and English version.
In case when any discrepancies and/or differences between these two versions,
the Chinese version shall prevail.



FROCH ENTERPRISE CO., LTD.

WWW.FROCH.COM

Table of Contents

One.	Meeting Agenda-----	1
Two.	Reports -----	2
Three.	Ratifications and Discussions -----	3
Four.	Other Business and Special Motions -----	3
Five.	Adjournment -----	3
Six.	Appendices	
	Appendix 1. The 2020 Business Report -----	4
	Appendix 2. Audit Committee's Review Report -----	7
	Appendix 3. Financial Statements and Consolidated Financial Statements	8
	Appendix 4. Allocation of 2020 Employee and Director Remuneration----	28
	Appendix 5. Treasury Stock Buyback and Execution -----	29
	Appendix 6. Earnings Appropriation Report-----	35
	Appendix 7. Shareholdings of All Directors -----	36
	Appendix 8. Impacts of Proposed Stock Dividends on Business Performance, Earnings per Share, and Return on Equity-----	37
	Other Remarks -----	37
	Appendix 9. Comparison Table of Existing and Revised "Articles of Incorporation" -----	38
	Appendix 10. Comparison Table of Existing and Revised "Shareholder Conference Rules" -----	39
	Appendix 11. "Articles of Incorporation" (before amendment) -----	40
	Appendix 12. "Shareholder Conference Rules" (before amendment) -----	45



FROCH ENTERPRISE CO., LTD.

WWW.FROCH.COM

One. Meeting Agenda

Froch Enterprise Co., Ltd.

2021 Annual General Meeting Agenda

Time: 9:00 am, June 16, 2021 (Wednesday).

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. Chairperson's opening remarks
- IV. Reports
 1. Report on 2020 business performance
 2. Audit Committee's review of the 2020 year-end accounts
 3. Report on the allocation of 2020 employee and director remuneration
 4. Report on treasury stock buyback and execution
- V. Ratifications and discussions
 1. Ratification of 2020 business report and year-end accounts
 2. Ratification of 2020 earnings appropriation
 3. Discussion on the amendment of the Company's "Articles of Incorporation"
 4. Discussion on the amendment of the Company's "Shareholder Conference Rules"
- VI. Other Business and Special Motions
- VII. Adjournment

Two. Reports

Motion 1

Subject: Report on 2020 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 2020 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 2020 employee and director remuneration, as presented.

Explanatory Notes: Please refer to Appendix 4 of this handbook for Allocation of 2020 Employee and Director Remuneration.

Motion 4

Subject: Report on treasury stock buyback and execution, as presented.

Explanatory Notes: Please refer to Appendix 5 of this handbook for details on treasury stock buyback and execution.

Three. Ratifications and Discussions

Motion 1

(Proposed by the board of directors)

Subject: Ratification of the 2020 business report and year-end accounts, as presented

Explanatory Notes: 1. The Company has finished preparation of its 2020 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 shareholder 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:

Motion 2

(Proposed by the board of directors)

Subject: Ratification of the Company's 2020 earnings appropriation, as presented.

Explanatory Notes: 1. Please refer to Appendix 6 of this handbook for the 2020 earnings appropriation chart.

2. As presented for ratification.

Resolution:

Motion 3

(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 9 of this handbook for the Comparison Table of Existing and Revised "Articles of Incorporation".

Resolution:

Motion 4

(Proposed by the board of directors)

Subject: Amendments to the Company's "Shareholder Conference Rule"; as presented for discussion.

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

Resolution:

Four. Other Business and Special Motions

Five. Adjournment

Six. Appendices

Appendix 1

The 2020 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 78,278 tonnes of stainless steel tubes and pipes in 2020, down 1.36% from the previous year, and 35,144 tonnes of stainless steel sheets and coils in 2020, down 5.35% from the previous year. 45% of products were sold domestically while the other 55% 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 continued its falling trend in 2020 to the lowest point of US\$11,075 per tonne. The global city lockdowns caused by COVID-19 pandemic have posed serious challenges to the export business. However, as moving into second half of the year, the Quantitative Easing (QE) strategy executed by various governments, the promising progress of COVID vaccines, and the relief of uncertainty of the international politics all helped the prices of base metals begin to rise, and the nickel price has reached its top of US\$17,650 per tonne. The volatile nickel prices, as a result, have impacted the Company's business operations. Overall, despite the Company sold products at lower price and lower volume in 2020 compared to 2019, the gross profit margin rose back to 9% in 2020, thanks to the price increase during the second half of the year. The following is the report of 2020 operating results and outlook for 2021:

I. 2020 Operating Results

(I) Results of Business Plans

Unit: NTD thousands

Products	2020 Performance	2019 Performance	Performance Comparison	Growth Rate %
Stainless Steel Tubes and Pipes	5,642,367	6,232,272	(589,905)	(9.47)
Stainless Steel Sheets and Coils	2,074,486	2,414,132	(339,646)	(14.07)
Others	28,179	62,135	(33,956)	(54.65)
Total Revenue	7,745,032	8,708,539	(963,507)	(11.06)

(II) Budget Execution

Unit: tonnes

Products	2020 Performance	2020 Forecast	Growth Rate %
Stainless Steel Tubes and Pipes	78,278	86,810	(9.83)
Stainless Steel Sheets and Coils	35,144	39,600	(11.25)
Tonnage Sold	113,422	126,410	(10.27)

(III) Profitability Analysis

Aspects	2020	2019
Operating Profit to Paid-in Capital (%)	2.94	8.99
Pre-tax Income to Paid-up Capital (%)	5.01	11.75
Return on Assets (%)	1.83	3.58
Return on Shareholders' Equity (%)	2.74	6.69
Net Profit Margin (%)	1.40	3.08
Earnings per Share (NTD)	0.38	0.94

(IV) Income and Expenses

Unit: NTD thousands

Aspects	2020	2019	Variation	Note
Net Cash Inflow (Outflow) from Operating Activities	(179,358)	544,629	(723,987)	1
Net Cash Inflow (Outflow) from Investing Activities	(337,235)	(283,035)	(54,200)	2
Net Cash Inflow (Outflow) from Financing Activities	570,654	(372,232)	942,886	3

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

Note 2: Net cash outflow from investing activities increased mainly due to additional property, plant, and equipment acquired in the period.

Note 3: Net cash inflow from financing activities increased mainly due to increase of long-term and short-term bank borrowings.

(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 2021 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 develop export markets, strengthen customers' loyalty, and diversify markets. Thus, the Company will be less vulnerable to the impact of economic cycle with one single industry or one single market.

2. Production Plan:

(1) Expanding and utilizing production capacity

The Company is a professional manufacturer of stainless steel tubes and pipes. Adding pipe mills will help the Company achieve economies of scale and lift production efficiency.

(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 2021 is presented below:

Unit: tonnes

Item \ Year	2021 Sales Forecast
Stainless Steel Tubes and Pipes	88,450
Stainless Steel Sheets and Coils	40,000
Total	128,450

2. Bases:

The price of nickel has reversed in the second half of 2020 and continued stably upwards in the beginning of 2021. Although the pandemic is continuing, after one year of adaption and the arrival of the vaccines, the world economy is expected to recover gradually and the business prospect is optimistic. However, ongoing trade protectionism in some economies around the world has disrupted the market and caused volatilities. This is the key uncertainty to the market. As prices of stainless steel and nickel are stabilizing in 2021, the Company will gain better control of inventory cost and see lower volatility in its product selling price. 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 2021, 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.

Appendix 2

Froch Enterprise Co., Ltd.

Audit Committee's Review Report

We have reviewed the Company's 2020 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 2021 Annual General Meeting

Froch Enterprise Co., Ltd.



Audit Committee convener

March 23, 2021

Appendix 3

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, 2020 and 2019, 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, 2020 and 2019, 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 auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The 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, 2020. 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, 2020 is as follows:

Inventory Valuation

The Company's inventory amount is significant to the financial statements. The accounting estimation of net realizable value of inventory involves significant management judgments. These estimates are based on the current market conditions and historical sales experience of similar products. Change in market conditions may significantly affect the estimations. Therefore, we identified the inventory valuation as a key audit matter, refer to Notes 4, 5 and 9 to the financial statements.

Our audit procedures performed in respect of inventory valuation included the following:

1. We understood and evaluated the Company's policies and procedures for recognition of inventory write-downs;
2. We obtained the inventory evaluation form, checked the selling price by sampling and recalculated to confirm the completeness and accuracy of the data;
3. We obtained the obsolete inventory statement, reviewed the relevant assessment data, understood its impact on the net realization value, and confirmed the reasonableness of the relevant obsolete amount.
4. We observed the year-end inventory counts and assessed the inventory status to confirm whether costs associated with obsolete and damaged inventory have been appropriately written down.

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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Company 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, 2020 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 audit resulting in this independent auditors' report are Ting-Chien Su and Lie-Dong Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2021

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, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 447,342	4	\$ 388,919	4
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	16,357	-	12,943	-
Notes receivable (Notes 4, 8 and 17)	133,242	1	106,614	1
Trade receivables from unrelated parties (Notes 4, 8 and 17)	637,495	6	644,312	7
Trade receivables from related parties (Notes 4, 17 and 23)	1,090	-	21,524	-
Other receivables (Note 23)	31,343	1	24,304	-
Current tax assets (Notes 4 and 19)	2,439	-	3,641	-
Inventories (Notes 4, 5 and 9)	3,189,398	30	2,835,134	29
Prepayments	38,939	1	25,695	1
Other current assets	543	-	6,850	-
Total current assets	<u>4,498,188</u>	<u>43</u>	<u>4,069,936</u>	<u>42</u>
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4 and 10)	2,695,408	26	2,524,171	26
Property, plant and equipment (Notes 4, 11 and 24)	3,215,921	30	2,985,737	30
Right-of-use asset (Notes 4 and 12)	33,180	-	68,388	1
Deferred tax assets (Notes 4 and 19)	31,837	-	28,604	-
Prepayments for equipment	61,366	1	75,129	1
Refundable deposits (Note 23)	13,106	-	14,086	-
Total non-current assets	<u>6,050,818</u>	<u>57</u>	<u>5,696,115</u>	<u>58</u>
TOTAL	<u>\$ 10,549,006</u>	<u>100</u>	<u>\$ 9,766,051</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ 2,628,726	25	\$ 2,348,029	24
Contract liabilities - current (Notes 4 and 17)	129,417	1	68,138	1
Notes payable to unrelated parties	10,959	-	19,494	-
Trade payables to unrelated parties	102,639	1	138,469	1
Trade payables to related parties (Note 23)	24,558	-	-	-
Other payables (Notes 14 and 23)	166,591	2	145,814	2
Lease liability - current (Notes 4, 12 and 23)	17,806	-	35,224	-
Current portion of long-term borrowings (Notes 13 and 24)	456,895	5	280,835	3
Other current liabilities	3,410	-	2,845	-
Total current liabilities	<u>3,541,001</u>	<u>34</u>	<u>3,038,848</u>	<u>31</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13 and 24)	2,760,529	26	2,406,715	25
Lease liability - non-current (Notes 4, 12 and 23)	15,927	-	33,733	-
Deferred tax liabilities (Notes 4 and 19)	256,360	2	225,971	2
Net defined benefit liabilities - non-current (Notes 4 and 15)	65,085	1	66,445	1
Guarantee deposits (Note 23)	735	-	990	-
Total non-current liabilities	<u>3,098,636</u>	<u>29</u>	<u>2,733,854</u>	<u>28</u>
Total liabilities	<u>6,639,637</u>	<u>63</u>	<u>5,772,702</u>	<u>59</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Ordinary shares	2,805,260	27	2,865,260	29
Capital surplus	463,471	4	464,646	5
Retained earnings				
Legal reserve	198,107	2	171,117	2
Special reserve	246,961	2	144,960	1
Unappropriated earnings	426,460	4	594,327	6
Other equity	(230,890)	(2)	(246,961)	(2)
Total equity	<u>3,909,369</u>	<u>37</u>	<u>3,993,349</u>	<u>41</u>
TOTAL	<u>\$ 10,549,006</u>	<u>100</u>	<u>\$ 9,766,051</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, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 17 and 23)	\$ 7,745,032	100	\$ 8,708,539	100
OPERATING COSTS (Notes 9, 18 and 23)	<u>7,127,009</u>	<u>92</u>	<u>7,924,579</u>	<u>91</u>
GROSS PROFIT	<u>618,023</u>	<u>8</u>	<u>783,960</u>	<u>9</u>
OPERATING EXPENSES (Notes 18 and 23)				
Selling and marketing expenses	410,493	5	374,439	4
General and administrative expenses	<u>125,151</u>	<u>2</u>	<u>151,835</u>	<u>2</u>
Total operating expenses	<u>535,644</u>	<u>7</u>	<u>526,274</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>82,379</u>	<u>1</u>	<u>257,686</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	453	-	2,146	-
Other income (Notes 18 and 23)	7,522	-	4,460	-
Other gains and losses (Note 18)	(8,279)	-	5,837	-
Finance costs (Notes 18 and 23)	(96,712)	(1)	(105,618)	(1)
Share of profit or loss of subsidiaries for using the equity method (Notes 4 and 10)	<u>155,166</u>	<u>2</u>	<u>172,270</u>	<u>2</u>
Total non-operating expenses	<u>58,150</u>	<u>1</u>	<u>79,095</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	140,529	2	336,781	4
INCOME TAX EXPENSE (Notes 4 and 19)	<u>32,178</u>	<u>-</u>	<u>68,527</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>108,351</u>	<u>2</u>	<u>268,254</u>	<u>3</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)	(4,955)	-	2,061	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 19)	<u>991</u>	<u>-</u>	<u>(412)</u>	<u>-</u>
	(3,964)	-	1,649	-
Items that may be reclassified subsequently to profit or loss:				

(Continued)

FROCH ENTERPRISE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Exchange differences on translating the financial statements of foreign operations	<u>16,071</u>	<u>-</u>	<u>(102,001)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>12,107</u>	<u>-</u>	<u>(100,352)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 120,458</u>	<u>2</u>	<u>\$ 167,902</u>	<u>2</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 0.38</u>		<u>\$ 0.94</u>	
Diluted	<u>\$ 0.38</u>		<u>\$ 0.94</u>	

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, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

	Ordinary Shares (Note 16)	Capital Surplus (Note 16)	Retained Earnings (Note 16)			Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Treasury shares (Note 16)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2019	\$ 2,865,260	\$ 444,012	\$ 116,709	\$ 109,656	\$ 700,662	\$ (144,960)	\$ (62,528)	\$ 4,028,811
Appropriation of 2018 earnings								
Legal reserve	-	-	54,408	-	(54,408)	-	-	-
Special reserve	-	-	-	35,304	(35,304)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(286,526)	-	-	(286,526)
Net profit for the year ended December 31, 2019	-	-	-	-	268,254	-	-	268,254
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	1,649	(102,001)	-	(100,352)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	269,903	(102,001)	-	167,902
Share-based payment arrangements	-	20,634	-	-	-	-	-	20,634
Disposal of treasury shares	-	-	-	-	-	-	62,528	62,528
BALANCE AT DECEMBER 31, 2019	2,865,260	464,646	171,117	144,960	594,327	(246,961)	-	3,993,349
Appropriation of 2019 earnings								
Legal reserve	-	-	26,990	-	(26,990)	-	-	-
Special reserve	-	-	-	102,001	(102,001)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(143,263)	-	-	(143,263)
Net profit for the year ended December 31, 2020	-	-	-	-	108,351	-	-	108,351
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(3,964)	16,071	-	12,107
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	104,387	16,071	-	120,458
Buy-back of ordinary shares	-	-	-	-	-	-	(61,175)	(61,175)
Cancellation of treasury shares	(60,000)	(1,175)	-	-	-	-	61,175	-
BALANCE AT DECEMBER 31, 2020	\$ 2,805,260	\$ 463,471	\$ 198,107	\$ 246,961	\$ 426,460	\$ (230,890)	\$ -	\$ 3,909,369

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 140,529	\$ 336,781
Adjustments for:		
Depreciation expenses	146,178	140,449
Expected credit loss recognized (reversed) on trade receivables	484	(29,872)
Net gain on fair value changes of financial assets at fair value through profit or loss	(820)	(1,145)
Finance costs	96,712	105,618
Interest income	(453)	(2,146)
Compensation costs of employee share options	-	20,634
Share of profit of subsidiaries	(155,166)	(172,270)
Gain on disposal of property, plant and equipment	-	(66)
Write-down of inventories	-	6,456
Reversal of write-down of inventories	(45,279)	-
Net loss (gain) on foreign currency exchange	(9,829)	7,848
Changes in operating assets and liabilities		
Notes receivable	(26,897)	50,207
Trade receivables	32,074	53,099
Other receivables	(7,037)	5,393
Inventories	(308,985)	284,631
Prepayments	(13,244)	14,259
Other current assets	6,307	(4,890)
Contract liabilities	61,279	8,537
Notes payable	(8,535)	(39,685)
Trade payables	(10,845)	33,014
Other payables	29,351	(11,474)
Other current liabilities	565	(30,571)
Net defined benefit liabilities	(6,315)	(8,878)
Cash generated from operations	(79,926)	765,929
Interest received	453	2,146
Interest paid	(97,056)	(107,724)
Income tax paid	(2,829)	(115,722)
Net cash generated from (used in) operating activities	<u>(179,358)</u>	<u>544,629</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(18,070)	(25,092)
Proceeds from sale of financial assets at fair value through profit or loss	15,476	24,759
Payments for property, plant and equipment	(298,479)	(220,416)
Proceeds from disposal of property, plant and equipment	-	1,384
Decrease in refundable deposits	980	9,789
Increase in prepayments for equipment	(37,142)	(73,459)
Net cash used in investing activities	<u>(337,235)</u>	<u>(283,035)</u>

(Continued)

FROCH ENTERPRISE CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	\$ 280,697	\$(1,267,885)
Proceeds from long-term borrowings	900,000	1,215,400
Repayments of long-term borrowings	(370,126)	(61,355)
Proceeds from (refund of) guarantee deposits received	(255)	246
Repayment of the principal portion of lease liabilities	(35,224)	(34,640)
Dividends paid to owners of the Company	(143,263)	(286,526)
Payments for buy-back of ordinary shares	(61,175)	-
Proceeds from reissuance of treasury shares	<u>-</u>	<u>62,528</u>
Net cash generated from (used in) financing activities	<u>570,654</u>	<u>(372,232)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>4,362</u>	<u>(799)</u>
NET INCREASE (DECREASE) IN CASH	58,423	(111,437)
CASH AT THE BEGINNING OF THE YEAR	<u>388,919</u>	<u>500,356</u>
CASH AT THE END OF THE YEAR	<u>\$ 447,342</u>	<u>\$ 388,919</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, 2020 and 2019, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

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, 2020. 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, 2020 is as follows:

Inventory Valuation

The Group's inventory amount is significant to the consolidated financial statements. The accounting estimation of net realizable value of inventory involves significant management judgments. These estimates are based on the current market conditions and historical sales experience of similar products. Change in market conditions may significantly affect the estimations. Therefore, we identified the inventory valuation as a key audit matter, refer to Notes 4, 5 and 9 to the consolidated financial statements.

Our audit procedures performed in respect of inventory valuation included the following:

1. We understood and evaluated the Company's policies and procedures for recognition of inventory write-downs;
2. We obtained the inventory evaluation form, checked the selling price by sampling and recalculated to confirm the completeness and accuracy of the data;
3. We obtained the obsolete inventory statement, reviewed the relevant assessment data, understood its impact on the net realization value, and confirmed the reasonableness of the relevant obsolete amount.
4. We observed the year-end inventory counts and assessed the inventory status to confirm whether costs associated with obsolete and damaged inventory have been appropriately written down.

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, 2020 and 2019 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 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 audit resulting in this independent auditors' report are Ting-Chien Su and Lie-Dong Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2021

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,565,467	13	\$ 1,332,779	13
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	16,357	-	12,943	-
Notes receivable (Notes 4, 8 and 17)	266,911	2	237,904	2
Trade receivables from unrelated parties (Notes 4, 8 and 17)	749,747	7	765,085	7
Trade receivables from related parties (Notes 4, 17 and 23)	-	-	21,348	-
Other receivables (Note 4 and 23)	33,162	-	31,304	1
Current tax assets (Notes 4 and 19)	2,439	-	3,641	-
Inventories (Notes 4, 5 and 9)	4,255,872	37	3,719,060	35
Prepayments	168,156	2	126,790	1
Current financial assets (Notes 4, 6 and 24)	7,632	-	2,784	-
Other current assets	543	-	3,375	-
Total current assets	<u>7,066,286</u>	<u>61</u>	<u>6,257,013</u>	<u>59</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 11 and 24)	4,376,031	37	4,145,835	39
Right-of-use asset (Notes 4 and 12)	68,792	1	100,090	1
Deferred tax assets (Notes 4 and 19)	31,837	-	28,604	-
Prepayments for equipment	109,077	1	84,630	1
Refundable deposits (Note 23)	15,969	-	19,075	-
Total non-current assets	<u>4,601,706</u>	<u>39</u>	<u>4,378,234</u>	<u>41</u>
TOTAL	<u>\$ 11,667,992</u>	<u>100</u>	<u>\$ 10,635,247</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ 3,568,566	31	\$ 3,037,571	29
Contract liabilities - current (Notes 4 and 17)	210,754	2	154,950	1
Notes payable to unrelated parties	10,959	-	19,494	-
Trade payables to unrelated parties	106,139	1	142,355	1
Trade payables to related parties (Note 23)	24,558	-	-	-
Other payables (Notes 14 and 23)	217,449	2	185,700	2
Current tax liabilities (Notes 4 and 19)	22,240	-	32,803	-
Lease liability - current (Notes 4, 12 and 23)	21,765	-	38,344	-
Current portion of long-term borrowings (Notes 13 and 24)	456,895	4	280,835	3
Other current liabilities	3,776	-	3,055	-
Total current liabilities	<u>4,643,101</u>	<u>40</u>	<u>3,895,107</u>	<u>36</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13 and 24)	2,760,529	24	2,406,715	23
Lease liability - non-current (Notes 4, 12 and 23)	24,006	-	38,692	-
Deferred tax liabilities (Notes 4 and 19)	256,360	2	225,971	2
Net defined benefit liabilities - non-current (Notes 4 and 15)	65,085	-	66,445	1
Guarantee deposits (Note 23)	9,542	-	8,968	-
Total non-current liabilities	<u>3,115,522</u>	<u>26</u>	<u>2,746,791</u>	<u>26</u>
Total liabilities	<u>7,758,623</u>	<u>66</u>	<u>6,641,898</u>	<u>62</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Ordinary shares	2,805,260	24	2,865,260	27
Capital surplus	463,471	4	464,646	4
Retained earnings				
Legal reserve	198,107	2	171,117	2
Special reserve	246,961	2	144,960	1
Unappropriated earnings	426,460	4	594,327	6
Other equity	(230,890)	(2)	(246,961)	(2)
Total equity	<u>3,909,369</u>	<u>34</u>	<u>3,993,349</u>	<u>38</u>
TOTAL	<u>\$ 11,667,992</u>	<u>100</u>	<u>\$ 10,635,247</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, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 17 and 23)	\$ 10,560,947	100	\$ 11,984,206	100
OPERATING COSTS (Notes 9, 18 and 23)	<u>9,622,919</u>	<u>91</u>	<u>10,765,124</u>	<u>90</u>
GROSS PROFIT	<u>938,028</u>	<u>9</u>	<u>1,219,082</u>	<u>10</u>
OPERATING EXPENSES (Notes 18 and 23)				
Selling and marketing expenses	524,723	5	510,533	4
General and administrative expenses	<u>178,437</u>	<u>2</u>	<u>210,477</u>	<u>2</u>
Total operating expenses	<u>703,160</u>	<u>7</u>	<u>721,010</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>234,868</u>	<u>2</u>	<u>498,072</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	6,040	-	4,844	-
Other income (Notes 18 and 23)	12,367	-	8,952	-
Other gains and losses (Note 18)	45,751	1	4,874	-
Finance costs (Notes 18 and 23)	<u>(110,710)</u>	<u>(1)</u>	<u>(123,473)</u>	<u>(1)</u>
Total non-operating expenses	<u>(46,552)</u>	<u>-</u>	<u>(104,803)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	188,316	2	393,269	3
INCOME TAX EXPENSE (Notes 4 and 19)	<u>79,965</u>	<u>1</u>	<u>125,015</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>108,351</u>	<u>1</u>	<u>268,254</u>	<u>2</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)	(4,955)	-	2,061	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 4 and 19)	<u>991</u>	<u>-</u>	<u>(412)</u>	<u>-</u>
	<u>(3,964)</u>	<u>-</u>	<u>1,649</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>16,071</u>	<u>-</u>	<u>(102,001)</u>	<u>(1)</u>

(Continued)

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Other comprehensive loss for the year, net of income tax	<u>12,107</u>	<u>-</u>	<u>(100,352)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 120,458</u>	<u>1</u>	<u>\$ 167,902</u>	<u>1</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 0.38</u>		<u>\$ 0.94</u>	
Diluted	<u>\$ 0.38</u>		<u>\$ 0.94</u>	

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
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

	Ordinary Shares (Note 16)	Capital Surplus (Note 16)	Retained Earnings (Note 16)			Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Treasury shares (Note 16)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2019	\$ 2,865,260	\$ 444,012	\$ 116,709	\$ 109,656	\$ 700,662	\$ (144,960)	\$ (62,528)	\$ 4,028,811
Appropriation of 2018 earnings								
Legal reserve	-	-	54,408	-	(54,408)	-	-	-
Special reserve	-	-	-	35,304	(35,304)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(286,526)	-	-	(286,526)
Net profit for the year ended December 31, 2019	-	-	-	-	268,254	-	-	268,254
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	1,649	(102,001)	-	(100,352)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	269,903	(102,001)	-	167,902
Share-based payment arrangements	-	20,634	-	-	-	-	-	20,634
Disposal of treasury shares	-	-	-	-	-	-	62,528	62,528
BALANCE AT DECEMBER 31, 2019	2,865,260	464,646	171,117	144,960	594,327	(246,961)	-	3,993,349
Appropriation of 2019 earnings								
Legal reserve	-	-	26,990	-	(26,990)	-	-	-
Special reserve	-	-	-	102,001	(102,001)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(143,263)	-	-	(143,263)
Net profit for the year ended December 31, 2020	-	-	-	-	108,351	-	-	108,351
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(3,964)	16,071	-	12,107
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	104,387	16,071	-	120,458
Buy-back of ordinary shares	-	-	-	-	-	-	(61,175)	(61,175)
Cancellation of treasury shares	(60,000)	(1,175)	-	-	-	-	61,175	-
BALANCE AT DECEMBER 31, 2020	\$ 2,805,260	\$ 463,471	\$ 198,107	\$ 246,961	\$ 426,460	\$ (230,890)	\$ -	\$ 3,909,369

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 188,316	\$ 393,269
Adjustments for:		
Depreciation expenses	236,964	225,665
Expected credit loss reversed on trade receivables	(77)	(30,217)
Net gain on fair value changes of financial assets at fair value through profit or loss	(820)	(1,145)
Finance costs	110,710	123,473
Interest income	(6,040)	(4,844)
Compensation costs of employee share options	-	20,634
Loss (gain) on disposal of property, plant and equipment	(849)	1,700
Net gain on disposal of other assets	(107)	(51)
Write-down of inventories	-	6,950
Reversal of write-down of inventories	(45,640)	-
Net loss (gain) on foreign currency exchange	(10,970)	6,974
Changes in operating assets and liabilities		
Notes receivable	(36,181)	93,727
Trade receivables	36,121	102,691
Other receivables	(5,019)	(3,262)
Inventories	(543,963)	162,083
Prepayments	(50,855)	(32,429)
Other current assets	2,832	(2,195)
Contract liabilities	63,357	42,205
Notes payable	(8,535)	(39,685)
Trade payables	(11,037)	33,188
Other payables	42,825	(13,202)
Other current liabilities	721	(30,508)
Net defined benefit liabilities	(6,315)	(8,878)
Cash generated from operations	(44,562)	1,046,143
Interest received	6,040	4,844
Interest paid	(111,408)	(125,651)
Income tax paid	(59,855)	(180,822)
Net cash generated from (used in) operating activities	<u>(209,785)</u>	<u>744,514</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(18,070)	(25,092)
Proceeds from sale of financial assets at fair value through profit or loss	15,476	24,759
Payments for property, plant and equipment	(305,809)	(227,115)
Proceeds from disposal of property, plant and equipment	2,974	2,183
Decrease in refundable deposits	2,927	19,882
Decrease (increase) in other financial assets	(5,175)	15,753
Increase in prepayments for equipment	(140,117)	(175,420)
Net cash used in investing activities	<u>(447,794)</u>	<u>(365,050)</u>

(Continued)

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	\$ 576,187	\$ (973,274)
Proceeds from long-term borrowings	900,000	1,215,400
Repayments of long-term borrowings	(370,126)	(61,355)
Proceeds from guarantee deposits received	574	19
Repayment of the principal portion of lease liabilities	(39,254)	(38,878)
Dividends paid to owners of the Company	(143,263)	(286,526)
Payments for buy-back of ordinary shares	(61,175)	-
Proceeds from reissuance of treasury shares	<u>-</u>	<u>62,528</u>
Net cash generated from (used in) financing activities	<u>862,943</u>	<u>(82,086)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>27,324</u>	<u>(44,979)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	232,688	252,399
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>1,332,779</u>	<u>1,080,380</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	<u>\$ 1,565,467</u>	<u>\$ 1,332,779</u>

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

Appendix 4

Froch Enterprise Co., Ltd.

Allocation of 2020 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 shareholder 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 shareholder 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 shareholder 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 shareholder meeting:

The Company reported net income of NT\$108,351,219 for 2020; having considered future investment opportunities and industry characteristics, the board of directors passed a proposal during the meeting dated March 23, 2021 to pay cash dividends at NT\$0.50 per share.

3. Earnings appropriation proposal resolved in shareholder meeting: Not Applicable.
4. Allocation of 2020 earnings for employee and director remuneration:

Both employee and director remuneration for 2020 have been proposed at NT\$1,433,972 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 2020. However, if a sum different to the estimated amount is resolved in shareholder meeting on a later date, the difference will be treated as a gain or loss item for 2021.

Appendix 5

Froch Enterprise Co., Ltd.

Treasury Stock Buyback and Execution

Incidence	1st	2nd	3rd
Expected Buyback			
Board of Directors Resolution Date	2011/11/29	2012/01/30	2012/04/16
Purposes of Buyback	transfer of shares to employees	transfer of shares to employees	transfer of shares to employees
Type of Shares Bought Back	ordinary shares	ordinary shares	ordinary shares
Buyback Limit	NT\$730,917,612	NT\$730,917,612	NT\$444,018,814
Buyback Date	2011/11/30 to 2012/01/28	2012/01/31 to 2012/03/30	2012/04/17 to 2012/06/16
Buyback Volume	10,000,000 shares	10,000,000 shares	6,000,000 shares
Buyback Method	trading through open market	trading through open market	trading through open market
Actual Buyback			
Buyback Period	2011/11/30 to 2012/01/18	2012/03/03 to 2012/03/30	2012/04/17 to 2012/06/15
Buyback Volume	2,004,000 shares	2,300,000 shares	5,127,000 shares
Total Amount of Buyback (including fees)	NT\$20,623,437	NT\$28,340,162	NT\$53,151,289
Average Price per Share Bought Back	10.292	12.322	10.367

Froch Enterprise Co., Ltd. Treasury Stock Buyback and Execution

Incidence	4th	5th	6th
Expected Buyback			
Board of Directors Resolution Date	2012/06/18	2012/08/22	2012/10/24
Purposes of Buyback	transfer of shares to employees	transfer of shares to employees	transfer of shares to employees
Type of Shares Bought Back	ordinary shares	ordinary shares	ordinary shares
Buyback Limit	NT\$ 373,497,821	NT\$ 373,497,821	NT\$ 296,901,681
Buyback Date	2012/06/19 to 2012/08/18	2012/08/23 to 2012/10/22	2012/10/25 to 2012/12/24
Buyback Volume	6,000,000 shares	6,000,000 shares	6,000,000 shares
Buyback Method	trading through open market	trading through open market	trading through open market
Actual Buyback			
Buyback Period	2012/06/19 to 2012/08/17	2012/08/23 to 2012/10/22	2012/10/25 to 2012/12/14
Buyback Volume	2,174,000 shares	1,352,000 shares	2,817,000 shares
Total Amount of Buyback (including fees)	NT\$21,559,837	NT\$14,169,303	NT\$26,478,837
Average Price per Share Bought Back	9.918	10.481	9.40

Froch Enterprise Co., Ltd. Treasury Stock Buyback and Execution

Incidence	7th	8th	9th
Expected Buyback			
Board of Directors Resolution Date	2015/06/18	2015/08/18	2015/10/16
Purposes of Buyback	transfer of shares to employees	transfer of shares to employees	transfer of shares to employees
Type of Shares Bought Back	ordinary shares	ordinary shares	ordinary shares
Buyback Limit	NT\$ 648,344,016	NT\$ 625,960,004	NT\$ 625,960,004
Buyback Date	2015/06/22 to 2015/08/17	2015/08/18 to 2015/10/16	2015/10/19 to 2015/12/15
Buyback Volume	6,000,000 shares	3,000,000 shares	3,000,000 shares
Buyback Method	trading through open market	trading through open market	trading through open market
Actual Buyback			
Buyback Period	2015/06/22 to 2015/08/17	2015/08/19 to 2015/10/16	2015/10/19 to 2015/12/15
Buyback Volume	1,668,000 shares	1,581,000 shares	1,776,000 shares
Total Amount of Buyback (including fees)	NT\$18,102,591	NT\$14,611,468	NT\$16,678,343
Average Price per Share Bought Back	10.853	9.242	9.391

Froch Enterprise Co., Ltd.

Treasury Stock Buyback and Execution

Incidence	10th	11th	12th
Expected Buyback			
Board of Directors Resolution Date	2015/12/17	2016/02/17	2016/04/18
Purposes of Buyback	transfer of shares to employees	transfer of shares to employees	transfer of shares to employees
Type of Shares Bought Back	ordinary shares	ordinary shares	ordinary shares
Buyback Limit	NT\$ 526,510,689	NT\$ 526,510,689	NT\$ 310,348,890
Buyback Date	2015/12/18 to 2016/02/16	2016/02/17 to 2016/04/15	2016/04/18 to 2016/06/17
Buyback Volume	3,000,000 shares	3,000,000 shares	3,000,000 shares
Buyback Method	trading through open market	trading through open market	trading through open market
Actual Buyback			
Buyback Period	2015/12/18 to 2016/02/16	2016/02/18 to 2016/04/15	2016/04/19 to 2016/06/17
Buyback Volume	1,831,000 shares	1,480,000 shares	1,523,000 shares
Total Amount of Buyback (including fees)	NT\$16,699,686	NT\$15,087,863	NT\$15,033,690
Average Price per Share Bought Back	9.121	10.195	9.872

Froch Enterprise Co., Ltd. Treasury Stock Buyback and Execution

Incidence	13th	14th	15th
Expected Buyback			
Board of Directors Resolution Date	2016/06/29	2016/08/29	2016/11/08
Purposes of Buyback	transfer of shares to employees	transfer of shares to employees	transfer of shares to employees
Type of Shares Bought Back	ordinary shares	ordinary shares	ordinary shares
Buyback Limit	NT\$ 367,953,100	NT\$ 372,900,347	NT\$ 372,900,347
Buyback Date	2016/06/29 to 2016/08/26	2016/08/29 to 2016/10/28	2016/11/08 to 2017/01/06
Buyback Volume	3,000,000 shares	3,000,000 shares	3,000,000 shares
Buyback Method	trading through open market	trading through open market	trading through open market
Actual Buyback			
Buyback Period	2016/07/01 to 2016/08/26	2016/08/30 to 2016/10/28	2016/11/09 to 2017/01/06
Buyback Volume	1,669,000 shares	1,862,000 shares	1,227,000 shares
Total Amount of Buyback (including fees)	NT\$16,736,948	NT\$17,833,122	NT\$12,924,624
Average Price per Share Bought Back	10.029	9.578	10.534

Froch Enterprise Co., Ltd. Treasury Stock Buyback and Execution

Incidence	16th	17th	
Expected Buyback			
Board of Directors Resolution Date	2020/03/16	2020/05/07	
Purposes of Buyback	maintain company's credit standing and shareholders' equity	maintain company's credit standing and shareholders' equity	
Type of Shares Bought Back	ordinary shares	ordinary shares	
Buyback Limit	NT\$ 1,022,180,615	NT\$1,086,826,731	
Buyback Date	2020/03/16 to 2020/05/15	2020/05/07 to 2020/07/06	
Buyback Volume	3,000,000 shares	3,000,000 shares	
Buyback Method	trading through open market	trading through open market	
Actual Buyback			
Buyback Period	2020/03/17 to 2020/05/06	2020/05/12 to 2020/07/06	
Buyback Volume	3,000,000 shares	3,000,000 shares	
Total Amount of Buyback (including fees)	NT\$29,173,412	NT\$32,001,230	
Average Price per Share Bought Back	9.724	10.667	

Note:

1. The Company made a total of 15 treasury stock buybacks from 2011 to 2016 for a total of 30,391,000 shares, which were all transferred to employees at buyback cost.
2. The Company made 2 treasury buybacks during 2020 for the purpose of maintaining the Company's credit standing and shareholders' equity. The total buyback volume was 6,000,000 shares and the total buyback amount was NT\$61,174,642. The capital reduction base date was assigned on August 10, 2020. The subsequent registration of the deleted shares with the Ministry of Economic Affairs has been completed.

Appendix 6

Froch Enterprise Co., Ltd.

Earnings Appropriation Report

2020

Unit: NTD

Items	Amount	Remarks
Distributable Earnings:		
1. Opening Undistributed Earnings	322,072,227	<p>The proposal was passed during the Board of Directors meeting dated March 23, 2021. 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.</p> <p>Employee remuneration to be allocated at NT\$1,433,972.</p> <p>Director remuneration to be allocated at NT\$1,433,972.</p>
2. Effects of Retrospective Application and Restatement	0	
3. Net Income after Tax for 2020	108,351,219	
4. Other Comprehensive Income for 2020 - Actuarial Gains/Losses after Defined Benefit Plan	(3,964,408)	
5. Provision for Statutory Reserve	(10,438,681)	
6. Reverse Provision for Special Reserve	16,070,802	
7. Allocation of Cash Dividend at NT\$0.50 per Share	(140,263,014)	
8. Closing Undistributed Earnings	291,828,145	

Note 1: Once approved in a shareholder meeting, the Board of Directors shall be authorized to set the base date and payment date for cash dividends (truncated to the nearest NTD). Fraction payments that do not amount to a full NT\$1 shall be summed and recognized by the Company as other income.

Note 2: Proposal to have shareholders authorize the Board of Directors for making subsequent adjustments to the dividend payment ratio based on the amount of common share dividends approved and outstanding shares at the base date, if there is a change to the number of outstanding shares, whether due to share buyback, transfer, conversion, or deletion of treasury stock.

Appendix 7

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 shareholder 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-Yao Chang	17,547,946	
Director	Yi-Cheng Shih	1,948,206	
Director	Shin Chieh Shin Co., Ltd.	28,206,372	
Independent Director	Shun-Te Wen	0	
Independent Director	Ying-Fang Li	0	
Independent Director	Shu-Fu Wang	0	
Total for All Directors		47,702,524	

Appendix 8

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 2021 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 9 to April 19, 2021, which was announced over the Market Observation Post System according to law.
3. The Company received no motion proposal from any shareholder.

Appendix 9

Froch Enterprise Co., Ltd.

Comparison Table of Existing and Revised "Articles of Incorporation"

Article No.	Existing Article	Amended Article	Description
Article 8	All share certificates of the Company shall be registered share certificates. 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 authority or any of its approved registrars. Shares of the Company may be issued in non-tangible form, subject to registration with the centralized securities depository.	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 <u>by the bank which is competent to certify shares under the law.</u> Shares of the Company may be issued in non-tangible form, subject to registration with the centralized securities depository.	Amended to conform with regulatory amendment(s)
Article 13	The Shareholder Meeting shall be convened by the board of directors and the Chairman of the board shall reside the meeting. When the Chairman is 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. Shareholder 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 chairperson.	The Shareholder Meeting shall be convened by the board of directors and the Chairman of the board shall reside 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. Shareholder 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 chairperson.	Amended to conform with regulatory amendment(s)
Article 20	The elected directors shall assemble a board of directors and elect one 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.	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.	Amended to conform with regulatory amendment(s)
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 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.	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.	Amended to conform with regulatory amendment(s)

Appendix 10

Froch Enterprise Co., Ltd.

Comparison Table of Existing and Revised " Shareholder Conference Rules "

Article No.	Existing Article	Amended Article	Description
Article 6	<p>Shareholder 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 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. Shareholder 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 chairperson.</p> <p>Where chairperson 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 chairperson is a representative of an institutional director.</p>	<p>Shareholder 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. Shareholder 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 chairperson.</p> <p>Where chairperson 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 chairperson is a representative of an institutional director.</p>	Amended to conform with regulatory amendment(s)

Appendix 11

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 shareholder 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 share certificates of the Company shall be registered share certificates. 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 authority or any of its approved registrars. 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 shareholder 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 shareholder 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 shareholder meeting.

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 shareholder 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 shareholder meetings may be held whenever deemed necessary, subject to compliance with the relevant laws.

Article 12

If a shareholder is unable to attend the shareholder 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 Shareholder 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 shareholder meeting shall be convened by the board of directors and the Chairman of the board shall reside the meeting. When the Chairman is 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. Shareholder 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 chairperson.

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 shareholder 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 chairperson 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 shareholder meeting in person. Electronic voting shall proceed as regulated by law.

Article 16

Shareholder meeting resolutions shall be compiled into detailed minutes, signed or sealed by the chairperson, 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 chairperson'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 shareholder 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 shareholder 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 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 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 business strategies and key decisions are determined by the board of directors. Responsibilities and authorities of the board of directors, aside from those vested under The Company Act and by shareholders, also include the following:

1. Approval and amendment of organizational bylaws and rules within the Company.
2. Approval of annual budget and review of year-end closing.
3. Approval of capital expenditures and contracts above a certain amount or price.
4. Approval of the Company's application for loan, guarantee, acceptance, and other credit, debt, and non-business advance facilities with financial institutions above a certain amount or price.
5. Approval of endorsement, guarantee, and acceptance in the Company's name.
6. Branch establishment and withdrawal.
7. Approval of investments into other businesses.
8. Approval of major asset acquisitions and disposals, subject to compliance with the Company's "Asset Acquisition and Disposal Procedures."
9. Approval and amendment of plant construction, expansion, and investment plans.
10. Approval, amendment, and termination of technology and patent acquisition, transfer, and licensing arrangements and technical cooperation agreements.
11. Proposal of earnings appropriation and special compensations.
12. Proposal of capital increment or reduction plans.
13. Major operational or organizational changes.
14. Approval of policies concerning the Company's transactions with related enterprises, shareholders, directors and relatives thereof.
15. Resolution on buyback and transfer of Company shares for employees.

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 shareholder meeting, so that the Audit Committee may present them during the annual general meeting of shareholders for ratification:

- I. Business report,
- II. Financial statements,
- III. 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. All of which have been implemented after the approval of the government authorities.

Appendix 12

Froch Enterprise Co., Ltd.

Shareholder Conference Rules (before amendment)

Article 1

Shareholder 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 shareholder 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 shareholder meetings are calculated in shares. Where the shareholder is a government agency or corporate entity, more than one representative may attend shareholder meetings on their behalf. Corporate entities that have been designated as proxy attendants can only appoint one representative to attend shareholder 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 election is also being held during the meeting.

Article 3

The chairperson should announce commencement of meeting as soon as current attendees represent more than half of the Company's outstanding shares. The chairperson 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 chairperson may propose the tentative resolution for final voting according to Article 175 of The Company Act.

Article 4

For shareholder 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 shareholder meetings that are convened by authorized parties other than the board of directors. The chairperson 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 chairperson 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 chairperson 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 chairperson's permission. Each shareholder shall not speak for more than two times on the same motion.

Article 6

Shareholder 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 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. Shareholder 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 chairperson.

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

Article 10

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

Article 11

Shareholder 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 shareholder meetings.

Article 13

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

Article 14

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

Article 15

The chairperson 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 shareholder meeting. Results of the vote, including the final tally, shall be announced on-site and recorded in minutes. Shareholder 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.