

Stock Code : 2030



彰源企業股份有限公司
FROCH ENTERPRISE CO., LTD.

**2022 Annual General Meeting of
Shareholders**

Conference Handbook

Physical shareholder meeting

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

June 21, 2022

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.



Table of Contents

One.	Meeting Agenda-----	1
Two.	Reports -----	2
Three.	Ratifications -----	3
Four.	Discussions -----	4
Five.	Elections -----	5
Six.	Other Business and Special Motions-----	6
Seven.	Adjournment -----	6
Eight.	Appendices	
	Appendix 1. The 2021 Business Report -----	7
	Appendix 2. Audit Committee's Review Report	10
	Appendix 3. Financial Statements and Consolidated Financial Statements	11
	Appendix 4. Allocation of 2021 Employee and Director Remuneration----	32
	Appendix 5. Comparison Table of Existing and Revised "Corporate Social Responsibility Best Practice Principles"-----	33
	Appendix 6. Earnings Appropriation Report-----	36
	Appendix 7. Shareholdings of All Directors -----	37
	Appendix 8. Impacts of Proposed Stock Dividends on Business Performance, Earnings per Share, and Return on Equity-----	38
	Other Remarks -----	38
	Appendix 9. Comparison Table of Existing and Amended "Articles of Incorporation" -----	39
	Appendix 10. Comparison Table of Existing and Amended "Rules of Acquisition and Disposal of Asset" -----	41
	Appendix 11. Comparison Table of Existing and Amended "Shareholder Conference Rules"-----	46
	Appendix 12. "Articles of Incorporation" (before amendment) -----	47
	Appendix 13. "Rules of Acquisition and Disposal of Asset" (before amendment) -----	52
	Appendix 14. "Shareholder Conference Rules" (before amendment) -----	62
	Appendix 15. Rules for Election of Directors -----	65



FROCH ENTERPRISE CO., LTD.
WWW.FROCH.COM

One. Meeting Agenda

Froch Enterprise Co., Ltd.

2022 Annual General Meeting Agenda

Time: 9:00 am, June 21, 2022 (Tuesday).

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 2021 business performance
 2. Audit Committee's review of the 2021 year-end accounts
 3. Report on the allocation of 2021 employee and director remuneration
 4. Report on the amendment of the Company's "Corporate Social Responsibility Best Practice Principles"
- V. Ratifications
 1. Ratification of 2021 business report and year-end accounts
 2. Ratification of 2021 earnings appropriation
- VI. Discussions
 1. Discussion on the amendment of the Company's "Articles of Incorporation"
 2. Discussion on the amendment of the Company's "Rules of Acquisition and Disposal of Asset"
 3. Discussion on the amendment of the Company's "Shareholder Conference Rules"
- VII. Elections
 - Re-election of the Directors and Independent Directors
- VIII. Other Business and Special Motions
- IX. Adjournment

Two. Reports

Motion 1

Subject: Report on 2021 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 2021 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 2021 employee and director remuneration, as presented.

Explanatory Notes: Please refer to Appendix 4 of this handbook for Allocation of 2021 Employee and Director Remuneration.

Motion 4

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

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

Three. Ratifications

Motion 1

(Proposed by the board of directors)

Subject: Ratification of the 2021 business report and year-end accounts, as presented

Explanatory Notes: 1. The Company has finished preparation of its 2021 year-end accounts including Business Report, individual financial statements and consolidated financial statements. All above statements have been audited by certified public accountants and reviewed by the Audit Committee, and are hereby presented for ratification in shareholders' meeting.

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

Resolution:

Motion 2

(Proposed by the board of directors)

Subject: Ratification of the Company's 2021 earnings appropriation, as presented.

Explanatory Notes: 1. Please refer to Appendix 6 of this handbook for the 2021 earnings appropriation chart.

2. As presented for ratification.

Resolution:

Four. Discussions

Motion 1

(Proposed by the board of directors)

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

Explanatory Notes: Please refer to Appendix 7 of this handbook for the Comparison Table of Existing and Amended "Articles of Incorporation".

Resolution:

Motion 2

(Proposed by the board of directors)

Subject: Amendments to the Company's "Rules of Acquisition and Diposal of Asset"; as presented for discussion.

Explanatory Notes: Please refer to Appendix 10 of this handbook for the Comparison Table of Existing and Amended "Rules of Acquisition and Diposal of Asset"

Solution:

Motion 3

(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 11 of this handbook for the Comparison Table of Existing and Amended "Shareholder Conference Rule".

Resolution:

Five. Elections

Motion 1

(Proposed by the board of directors)

Subject: The term of office of the 14th board of directors and independent directors is expiring. The board proposed to duly elect new board of directors and independent directors based according to the Company Act.

Explanatory Note:

1. The present directors and independent directors were elected in the annual shareholders' meeting on June, 13, 2019. The term is three year and has expired on 12, June, 2022. The board propose to duly elect new board of directors according to the Company Act.
2. According to the "Articles of Incorporation", the Company sets 7~9 directors. The 15th election of directors will duly elect 9 directors, including 4 independent directors.
3. The term of office of the elected directors and independent directors of the 15th board of directors starts from June, 21, 2022 to June, 20, 2025. The term is three years and may be eligible for re-election.
4. A candidates nomination system is adopted by the Company for election of the directors and the independent directors. The qualification of the directors and nominees have been reviewed and approved by the board of directors on March, 17, 2022. The list is as follows:
5. The election is held according to the "Rules of Election for Directors". Please refer to Appendix 15 of this handbook.

Solution :

Number	Present Position	Name	Education & Experiences	Shareholdings
1	Director	Ping-Yao Chang	Pacific Western University President of FROCH Enterprise Co., Ltd.	17,547,946
2	Director	Hsin-Ta Chang	Graduated from College of Business, University of Denver Vice President of FROCH Enterprise Co., Ltd.	21,648,931
3	Director	Tsao-Chi Yang	Graduated from Chemical Engineering Department, Chinese Culture University General Manager of Procurement Division, FROCH Enterprise Co., Ltd.	0
4	Director	Chun-Chi Lee	Graduated from Master of Science - Finance, University of Colorado General Manager of Tubular Export Department, FROCH Enterprise Co., Ltd.	0
5	Director	Shin Chieh Shin Co., Ltd. Representative- Chin-Yang Ruan	Graduated from Social Science Department, Tung Hai University Chief of Department of Substance Control and Prevention, Kaohsiung City Government	28,206,372
				0
6	Independent Director	Shun-Te Wen	Graduated from Master of Business Administration, National Chung Cheng University Chief of Fengyuan Branch, National Taxation Bureau of the Central Area	0
7	Independent Director	Ying-Fang Lee	Graduated from Master of Business Administration, National Chung Cheng University Director of Huwei Office, National Taxation Bureau of the Central Area, Ministry of Finance	0
8	Independent Director	Shu-Fu Wang	Graduated from Accounting Department, Feng Chia University Director of Fengyuan Office, National Taxation Bureau of the Central Area, Ministry of Finance	0
9	Independent Director	Huei-Guei Chen	Graduated from Economics Department, Feng Chia University Manager of Huwei Branch, Land Bank of Taiwan	0

Six. Other Business and Special Motions

Seven. Adjournment

Eight. Appendices

Appendix 1

The 2021 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 82,968 tonnes of stainless steel tubes and pipes in 2021, up 5.99% from the previous year, and 45,277 tonnes of stainless steel sheets and coils in 2021, substantially up 28.83% from the previous year. 47% of products were sold domestically while the other 53% 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 rising trend in 2021 to the highest point of US\$19,700 per tonne but take a reversal and falling to US\$15,900 per tonne. The price stayed low till the end of April. With the cancellation of export tax rebate from the main stainless steel supplying country, China, the price of Nickel stayed comparatively stable at over US\$18,000 per tonne. In the second half year, another main export country, Russia, imposed a 15% temporary export tax on Nickel. With the double effects of increase in price and decrease in supply, the price of Nickel stepped up to US\$20,000 per tonne, with the highest point of US\$21,100 per tonne. Although the price fell afterwards, it is still stable at over US\$19,000 per tonne. All in all, in the comparison of 2020 and 2021 performance of the Company, both the price and the volume increased. gross profit margin also increased from 9% in 2020 to 19% this year. The following is the report of 2021 operating results and outlook for 2022:

I. 2021 Operating Results

(I) Results of Business Plans

Unit: NTD thousands

Products	2021 Performance	2020 Performance	Performance Comparison	Growth Rate %
Stainless Steel Tubes and Pipes	7,825,792	5,642,367	2,183,425	38.70
Stainless Steel Sheets and Coils	3,678,219	2,074,486	1,603,733	77.31
Others	36,828	28,179	8,649	30.69
Total Revenue	11,540,839	7,745,032	3,795,807	49.01

(II) Budget Execution

Unit: tonnes

Products	2021 Performance	2021 Forecast	Growth Rate %
Stainless Steel Tubes and Pipes	82,968	88,450	(6.20)
Stainless Steel Sheets and Coils	45,277	40,000	13.19
Tonnage Sold	128,245	128,450	(0.16)

(III) Profitability Analysis

Unit: NTD thousands

Aspects	2021	2020
Operating Profit to Paid-in Capital (%)	44.47	2.94
Pre-tax Income to Paid-up Capital (%)	53.76	5.01
Return on Assets (%)	10.74	1.83
Return on Shareholders' Equity (%)	27.18	2.74
Net Profit Margin (%)	10.44	1.40
Earnings per Share (NTD)	4.29	0.38

(IV) Income and Expenses

Unit: NTD thousands

Aspects	2021	2020	Variation	Note
Net Cash Inflow (Outflow) from Operating Activities	(707,893)	(179,358)	528,535	1
Net Cash Inflow (Outflow) from Investing Activities	(140,131)	(337,235)	(197,104)	2
Net Cash Inflow (Outflow) from Financing Activities	899,986	570,654	329,332	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 2022 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, strive for the major reinvestment orders from the home-coming overseas Taiwanese businesses, 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 2022 is presented below:

Unit: tonnes

Item \ Year	2022 Sales Forecast
Stainless Steel Tubes and Pipes	90,000
Stainless Steel Sheets and Coils	48,000
Total	138,000

2. Bases:

The price of nickel has reversed in the second half of 2021 and continued stably upwards in the beginning of 2022. With the gradual opening of the Western countries, the economic recovery is expected to continue. The major consuming country of stainless steel, the U.S., has also approved the infrastructure bill to upgrade its major airports, harbors, and railroads. This will boost the demand for stainless steel products. In summary, under the condition of stabilizing nickel and stainless steel prices, the cost of inventory is highly controllable. It will alleviate the volatility of the product price, both price and quantity are expected to keep increasing. 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 2022, 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 2021 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 2022 Annual General Meeting

Froch Enterprise Co., Ltd.

Audit Committee convener

March 17, 2022



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, 2021 and 2020, 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, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, 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, 2021. 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, 2021 is as follows:

Revenue Recognition

The Company's export sales revenue is affected by the distance or convenience of connection with customers, which makes the relevant revenue recognition procedures more complicated. A significant portion of export sales to customers for the year ended December 31, 2021 increased significantly compared to the previous year; therefore, we identified recognition of sales revenue as a key audit matter. Refer to Notes 4 and 17.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 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, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 17, 2022

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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 495,862	4	\$ 447,342	4
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	16,095	-	16,357	-
Notes receivable (Notes 4, 8 and 17)	226,943	2	133,242	1
Trade receivables from unrelated parties (Notes 4, 8 and 17)	1,004,586	8	637,495	6
Trade receivables from related parties (Notes 4, 17 and 23)	24,504	-	1,090	-
Other receivables (Note 23)	66,873	-	31,343	1
Current tax assets (Notes 4 and 19)	14	-	2,439	-
Inventories (Notes 4, 5 and 9)	4,941,126	37	3,189,398	30
Prepayments	37,344	-	38,939	1
Other current assets	818	-	543	-
Total current assets	<u>6,814,165</u>	<u>51</u>	<u>4,498,188</u>	<u>43</u>
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4 and 10)	3,025,506	23	2,695,408	26
Property, plant and equipment (Notes 4, 11 and 24)	3,219,692	24	3,215,921	30
Right-of-use asset (Notes 4, 12 and 23)	90,502	1	33,180	-
Deferred tax assets (Notes 4 and 19)	15,375	-	31,837	-
Prepayments for equipment	94,648	1	61,366	1
Refundable deposits (Note 23)	15,066	-	13,106	-
Total non-current assets	<u>6,460,789</u>	<u>49</u>	<u>6,050,818</u>	<u>57</u>
TOTAL	\$ 13,274,954	100	\$ 10,549,006	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ 4,059,635	31	\$ 2,628,726	25
Contract liabilities - current (Notes 4 and 17)	250,280	2	129,417	1
Notes payable to unrelated parties	48,930	-	10,959	-
Trade payables to unrelated parties	135,265	1	102,639	1
Trade payables to related parties (Note 23)	-	-	24,558	-
Other payables (Notes 14 and 23)	272,754	2	166,591	2
Current tax liabilities (Notes 4 and 19)	214,947	2	-	-
Lease liability - current (Notes 4, 12 and 23)	33,774	-	17,806	-
Current portion of long-term borrowings (Notes 13 and 24)	465,094	3	456,895	5
Other current liabilities	5,425	-	3,410	-
Total current liabilities	<u>5,486,104</u>	<u>41</u>	<u>3,541,001</u>	<u>34</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13 and 24)	2,393,905	18	2,760,529	26
Deferred tax liabilities (Notes 4 and 19)	325,671	3	256,360	2
Lease liability - non-current (Notes 4, 12 and 23)	57,345	1	15,927	-
Net defined benefit liabilities - non-current (Notes 4 and 15)	56,116	-	65,085	1
Guarantee deposits (Note 23)	962	-	735	-
Total non-current liabilities	<u>2,833,999</u>	<u>22</u>	<u>3,098,636</u>	<u>29</u>
Total liabilities	<u>8,320,103</u>	<u>63</u>	<u>6,639,637</u>	<u>63</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Ordinary shares	2,805,260	21	2,805,260	27
Capital surplus	463,471	3	463,471	4
Retained earnings				
Legal reserve	208,546	2	198,107	2
Special reserve	230,890	2	246,961	2
Unappropriated earnings	1,496,652	11	426,460	4
Other equity	(249,968)	(2)	(230,890)	(2)
Total equity	<u>4,954,851</u>	<u>37</u>	<u>3,909,369</u>	<u>37</u>
TOTAL	\$ 13,274,954	100	\$ 10,549,006	100

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 17 and 23)	\$ 11,540,839	100	\$ 7,745,032	100
OPERATING COSTS (Notes 9, 18 and 23)	<u>9,389,280</u>	<u>81</u>	<u>7,127,009</u>	<u>92</u>
GROSS PROFIT	<u>2,151,559</u>	<u>19</u>	<u>618,023</u>	<u>8</u>
OPERATING EXPENSES (Notes 18 and 23)				
Selling and marketing expenses	722,875	6	410,493	5
General and administrative expenses	<u>181,287</u>	<u>2</u>	<u>125,151</u>	<u>2</u>
Total operating expenses	<u>904,162</u>	<u>8</u>	<u>535,644</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>1,247,397</u>	<u>11</u>	<u>82,379</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	244	-	453	-
Other income (Notes 18 and 23)	8,773	-	7,522	-
Other gains and losses (Note 18)	(3,134)	-	(8,279)	-
Finance costs (Notes 18 and 23)	(94,210)	(1)	(96,712)	(1)
Share of profit or loss of subsidiaries accounted for using the equity method (Notes 4 and 10)	<u>349,176</u>	<u>3</u>	<u>155,166</u>	<u>2</u>
Total non-operating income and expenses	<u>260,849</u>	<u>2</u>	<u>58,150</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	1,508,246	13	140,529	2
INCOME TAX EXPENSE (Notes 4 and 19)	<u>303,686</u>	<u>3</u>	<u>32,178</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>1,204,560</u>	<u>10</u>	<u>108,351</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)	329	-	(4,955)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 19)	<u>(66)</u>	<u>-</u>	<u>991</u>	<u>-</u>
	263	-	(3,964)	-

(Continued)

FROCH ENTERPRISE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ (19,078)	-	\$ 16,071	-
Other comprehensive income (loss) for the year, net of income tax	(18,815)	-	12,107	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 1,185,745	10	\$ 120,458	2
EARNINGS PER SHARE (Note 20)				
Basic	\$ 4.29		\$ 0.38	
Diluted	\$ 4.29		\$ 0.38	

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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	Ordinary Shares (Note 16)	Capital Surplus (Note 16)	Retained Earnings (Note 16)			Other Equity Exchange Differences on Translation of the Financial Statements of Foreign Operations	Treasury Shares (Note 16)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2020	\$ 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
Appropriation of 2020 earnings								
Legal reserve	-	-	10,439	-	(10,439)	-	-	-
Special reserve	-	-	-	(16,071)	16,071	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(140,263)	-	-	(140,263)
Net profit for the year ended December 31, 2021	-	-	-	-	1,204,560	-	-	1,204,560
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	263	(19,078)	-	(18,815)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,204,823	(19,078)	-	1,185,745
BALANCE AT DECEMBER 31, 2021	\$ 2,805,260	\$ 463,471	\$ 208,546	\$ 230,890	\$ 1,496,652	\$ (249,968)	\$ -	\$ 4,954,851

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,508,246	\$ 140,529
Adjustments for:		
Depreciation expense	156,417	146,178
Expected credit loss recognized on trade receivables	3,720	484
Net gain on fair value changes of financial assets at fair value through profit or loss	(258)	(820)
Finance costs	94,210	96,712
Interest income	(244)	(453)
Share of profit of subsidiaries	(349,176)	(155,166)
Gain on disposal of property, plant and equipment	(125)	-
Reversal of write-down of inventories	(3,198)	(45,279)
Net loss (gain) on foreign currency exchange	2,290	(9,829)
Gain on lease modification	(56)	-
Changes in operating assets and liabilities		
Notes receivable	(94,647)	(26,897)
Trade receivables	(393,992)	32,074
Other receivables	(35,537)	(7,037)
Inventories	(1,748,530)	(308,985)
Prepayments	1,595	(13,244)
Other current assets	(275)	6,307
Contract liabilities	120,863	61,279
Notes payable	37,971	(8,535)
Trade payables	7,960	(10,845)
Other payables	85,656	29,351
Other current liabilities	2,015	565
Net defined benefit liabilities	(8,640)	(6,315)
Cash used in operations	(613,735)	(79,926)
Interest received	244	453
Interest paid	(93,795)	(97,056)
Income tax paid	(607)	(2,829)
Net cash used in operating activities	<u>(707,893)</u>	<u>(179,358)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(14,019)	(18,070)
Proceeds from sale of financial assets at fair value through profit or loss	14,539	15,476
Payments for property, plant and equipment	(58,994)	(298,479)
Proceeds from disposal of property, plant and equipment	125	-
Increase in refundable deposits	(1,960)	-
Decrease in refundable deposits	-	980
Increase in prepayments for equipment	(79,822)	(37,142)
Net cash used in investing activities	<u>(140,131)</u>	<u>(337,235)</u>

(Continued)

FROCH ENTERPRISE CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 1,432,889	\$ 280,697
Proceeds from long-term borrowings	100,000	900,000
Repayments of long-term borrowings	(458,425)	(370,126)
Proceeds from guarantee deposits received	227	-
Refund of guarantee deposits received	-	(255)
Repayment of the principal portion of lease liabilities	(34,442)	(35,224)
Dividends paid to owners of the Company	(140,263)	(143,263)
Payments for buy-back of ordinary shares	<u>-</u>	<u>(61,175)</u>
Net cash generated from financing activities	<u>899,986</u>	<u>570,654</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(3,442)</u>	<u>4,362</u>
NET INCREASE IN CASH	48,520	58,423
CASH AT THE BEGINNING OF THE YEAR	<u>447,342</u>	<u>388,919</u>
CASH AT THE END OF THE YEAR	<u>\$ 495,862</u>	<u>\$ 447,342</u>

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

(Concluded)

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

Froch Enterprise Co., Ltd.

By:



Ping-Yiao Chang
President

March 17, 2022

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, 2021 and 2020, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the audit of the Group's consolidated financial statements as of and for the year ended December 31, 2021 is as follows:

Revenue Recognition

The Group's export sales revenue is affected by the distance or convenience of connection with customers, which makes the relevant revenue recognition procedures more complicated. A significant portion of export sales to customers for the year ended December 31, 2021 increased significantly compared to the previous year; therefore, we identified recognition of sales revenue as a key audit matter. Refer to Notes 4 and 17.

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

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

Other Matter

We have also audited the parent company only financial statements of Froch Enterprise Co., Ltd. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 17, 2022

Notice to Readers

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

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,516,988	11	\$ 1,565,467	13
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	16,095	-	16,357	-
Notes receivable (Notes 4, 8 and 17)	413,489	3	266,911	2
Trade receivables from unrelated parties (Notes 4, 8 and 17)	1,208,432	8	749,747	7
Trade receivables from related parties (Notes 4, 17 and 23)	23,708	-	-	-
Other receivables (Note 4 and 23)	66,176	-	33,162	-
Current tax assets (Notes 4 and 19)	14	-	2,439	-
Inventories (Notes 4, 5 and 9)	6,146,464	43	4,255,872	37
Prepayments	156,173	1	168,156	2
Current financial assets (Notes 4, 6 and 24)	92,724	1	7,632	-
Other current assets	818	-	543	-
Total current assets	<u>9,641,081</u>	<u>67</u>	<u>7,066,286</u>	<u>61</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 11 and 24)	4,506,451	31	4,376,031	37
Right-of-use asset (Notes 4, 12 and 23)	120,764	1	68,792	1
Deferred tax assets (Notes 4 and 19)	15,375	-	31,837	-
Prepayments for equipment	128,715	1	109,077	1
Refundable deposits (Note 23)	16,774	-	15,969	-
Total non-current assets	<u>4,788,079</u>	<u>33</u>	<u>4,601,706</u>	<u>39</u>
TOTAL	<u>\$ 14,429,160</u>	<u>100</u>	<u>\$ 11,667,992</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ 4,945,398	34	\$ 3,568,566	31
Contract liabilities - current (Notes 4 and 17)	377,612	3	210,754	2
Notes payable to unrelated parties	48,930	-	10,959	-
Trade payables to unrelated parties	139,682	1	106,139	1
Trade payables to related parties (Note 23)	-	-	24,558	-
Other payables (Notes 14 and 23)	337,578	3	217,449	2
Current tax liabilities (Notes 4 and 19)	268,837	2	22,240	-
Lease liability - current (Notes 4, 12 and 23)	36,823	-	21,765	-
Current portion of long-term borrowings (Notes 13 and 24)	465,094	3	456,895	4
Other current liabilities	5,704	-	3,776	-
Total current liabilities	<u>6,625,658</u>	<u>46</u>	<u>4,643,101</u>	<u>40</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13 and 24)	2,393,905	17	2,760,529	24
Deferred tax liabilities (Notes 4 and 19)	325,671	2	256,360	2
Lease liability - non-current (Notes 4, 12 and 23)	62,117	1	24,006	-
Net defined benefit liabilities - non-current (Notes 4 and 15)	56,116	-	65,085	-
Guarantee deposits (Note 23)	10,842	-	9,542	-
Total non-current liabilities	<u>2,848,651</u>	<u>20</u>	<u>3,115,522</u>	<u>26</u>
Total liabilities	<u>9,474,309</u>	<u>66</u>	<u>7,758,623</u>	<u>66</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Ordinary shares	2,805,260	20	2,805,260	24
Capital surplus	463,471	3	463,471	4
Retained earnings				
Legal reserve	208,546	1	198,107	2
Special reserve	230,890	2	246,961	2
Unappropriated earnings	1,496,652	10	426,460	4
Other equity	(249,968)	(2)	(230,890)	(2)
Total equity	<u>4,954,851</u>	<u>34</u>	<u>3,909,369</u>	<u>34</u>
TOTAL	<u>\$ 14,429,160</u>	<u>100</u>	<u>\$ 11,667,992</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, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 17 and 23)	\$ 15,238,772	100	\$ 10,560,947	100
OPERATING COSTS (Notes 9, 18 and 23)	<u>12,422,135</u>	<u>82</u>	<u>9,622,919</u>	<u>91</u>
GROSS PROFIT	<u>2,816,637</u>	<u>18</u>	<u>938,028</u>	<u>9</u>
OPERATING EXPENSES (Notes 18 and 23)				
Selling and marketing expenses	849,097	5	524,723	5
General and administrative expenses	<u>240,577</u>	<u>2</u>	<u>178,437</u>	<u>2</u>
Total operating expenses	<u>1,089,674</u>	<u>7</u>	<u>703,160</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>1,726,963</u>	<u>11</u>	<u>234,868</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	7,535	-	6,040	-
Other income (Notes 18 and 23)	14,337	-	12,367	-
Other gains and losses (Note 18)	14,493	-	45,751	1
Finance costs (Notes 18 and 23)	<u>(105,503)</u>	<u>-</u>	<u>(110,710)</u>	<u>(1)</u>
Total non-operating expenses	<u>(69,138)</u>	<u>-</u>	<u>(46,552)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,657,825	11	188,316	2
INCOME TAX EXPENSE (Notes 4 and 19)	<u>453,265</u>	<u>3</u>	<u>79,965</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>1,204,560</u>	<u>8</u>	<u>108,351</u>	<u>1</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)	329	-	(4,955)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 19)	<u>(66)</u>	<u>-</u>	<u>991</u>	<u>-</u>
	263	-	(3,964)	-

(Continued)

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ (19,078)	-	\$ 16,071	-
Other comprehensive income (loss) for the year, net of income tax	(18,815)	-	12,107	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 1,185,745	8	\$ 120,458	1
EARNINGS PER SHARE (Note 20)				
Basic	\$ 4.29		\$ 0.38	
Diluted	\$ 4.29		\$ 0.38	

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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	Ordinary Shares (Note 16)	Capital Surplus (Note 16)	Retained Earnings (Note 16)			Other Equity Exchange Differences on Translation of the Financial Statements of	Treasury shares (Note 16)	Total Equity
			Legal Reserve	Special Reserve	Unappropriate d Earnings	Foreign Operations		
BALANCE AT JANUARY 1, 2020	\$ 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)
Cancelation 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
Appropriation of 2020 earnings								
Legal reserve	-	-	10,439	-	(10,439)	-	-	-
Special reserve	-	-	-	(16,071)	16,071	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(140,263)	-	-	(140,263)
Net profit for the year ended December 31, 2021	-	-	-	-	1,204,560	-	-	1,204,560
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	263	(19,078)	-	(18,815)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,204,823	(19,078)	-	1,185,745
BALANCE AT DECEMBER 31, 2021	\$ 2,805,260	\$ 463,471	\$ 208,546	\$ 230,890	\$ 1,496,652	\$ (249,968)	\$ -	\$ 4,954,851

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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,657,825	\$ 188,316
Adjustments for:		
Depreciation expense	252,626	236,964
Expected credit loss recognized (reversed) on trade receivables	2,360	(77)
Net gain on fair value changes of financial assets at fair value through profit or loss	(258)	(820)
Finance costs	105,503	110,710
Interest income	(7,535)	(6,040)
Gain on disposal of property, plant and equipment	(59)	(849)
Reversal of write-down of inventories	(3,390)	(45,640)
Net loss (gain) on foreign currency exchange	8,175	(10,970)
Gain on lease modification	(854)	(107)
Changes in operating assets and liabilities		
Notes receivable	(151,952)	(36,181)
Trade receivables	(488,798)	36,121
Other receivables	(36,039)	(5,019)
Inventories	(1,919,196)	(543,963)
Prepayments	8,217	(50,855)
Other current assets	(275)	2,832
Contract liabilities	169,943	63,357
Notes payable	37,971	(8,535)
Trade payables	8,977	(11,037)
Other payables	82,492	42,825
Other current liabilities	1,928	721
Net defined benefit liabilities	(8,640)	(6,315)
Cash used in operations	(280,979)	(44,562)
Interest received	7,535	6,040
Interest paid	(105,549)	(111,408)
Income tax paid	(117,528)	(59,855)
Net cash used in operating activities	<u>(496,521)</u>	<u>(209,785)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(14,019)	(18,070)
Proceeds from sale of financial assets at fair value through profit or loss	14,539	15,476
Payments for property, plant and equipment	(264,643)	(305,809)
Proceeds from disposal of property, plant and equipment	522	2,974
Increase in refundable deposits	(874)	-
Decrease in refundable deposits	-	2,927
Increase in other financial assets	(86,319)	(5,175)
Increase in prepayments for equipment	(66,984)	(140,117)
Net cash used in investing activities	<u>(417,778)</u>	<u>(447,794)</u>

(Continued)

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 1,402,899	\$ 576,187
Proceeds from long-term borrowings	100,000	900,000
Repayments of long-term borrowings	(458,425)	(370,126)
Proceeds from guarantee deposits received	1,300	574
Repayment of the principal portion of lease liabilities	(37,661)	(39,254)
Dividends paid to owners of the Company	(140,263)	(143,263)
Payments for buy-back of ordinary shares	<u>-</u>	<u>(61,175)</u>
Net cash generated from financing activities	<u>867,850</u>	<u>862,943</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(2,030)</u>	<u>27,324</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(48,479)	232,688
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,565,467</u>	<u>1,332,779</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,516,988</u>	<u>\$ 1,565,467</u>

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

Appendix 4

Froch Enterprise Co., Ltd.

Allocation of 2021 Employee and Director Remuneration

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

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

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

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

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

The Company reported net income of NT\$1,204,559,122 for 2021; having considered future investment opportunities and industry characteristics, the board of directors passed a proposal during the meeting dated March 17, 2022 to pay cash dividends at NT\$2.00 per share.

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

4. Allocation of 2021 earnings for employee and director remuneration:

Both employee and director remuneration for 2021 have been proposed at NT\$15,390,257 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 2021. However, if a sum different to the estimated amount is resolved in shareholders' meeting on a later date, the difference will be treated as a gain or loss item for 2022.

Appendix 5

Froch Enterprise Co., Ltd.

Comparison Table

of

Existing and Revised "Corporate Social Responsibility Best Practice Principles"

Article No.	Existing Article	Amended Article	Description
	Corporate Social Responsibility Best Practice Principles	Sustainable Development Best Practice Principles	Amended to conform with regulatory amendment(s)
Article 1	In order to fulfill the corporate social responsibility initiatives and to promote economic, environmental, and social advancement for purposes of sustainable development, the Company establishes the principles in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies".	In order to fulfill the corporate social responsibility initiatives and to promote economic, environmental, and social advancement for purposes of sustainable development, the Company establishes the principles in accordance with " <u>Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies</u> ".	Amended to conform with regulatory amendment(s)
Article 3	In fulfilling corporate social responsibility initiatives, the Company shall, in its corporate management and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance.	In fulfilling <u>sustainable development initiatives</u> , the Company shall, in its corporate management and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance.	Amended to conform with regulatory amendment(s)
Article 4	To implement corporate social responsibility initiatives, the Company follows the principles below: 1. Exercise corporate governance. 2. Foster a sustainable environment. 3. Preserve public welfare. 4. Enhance disclosure of corporate social responsibility information.	To implement <u>sustainable development initiatives</u> , the Company follows the principles below: 1. Exercise corporate governance. 2. Foster a sustainable environment. 3. Preserve public welfare. 4. Enhance disclosure of <u>sustainable development information</u> .	Amended to conform with regulatory amendment(s)

Article 5	The Company shall establish their policies, systems, and relevant management systems for corporate social responsibility programs, which shall be approved by the board of directors.	The Company shall establish their policies, systems, and relevant management systems for <u>sustainable development programs</u> , which shall be approved by the board of directors and <u>then reported to the shareholders meeting</u> .	Amended to conform with regulatory amendment(s)
Article 7	The directors of the Company shall exercise the due care of good administrators to urge the Company to perform its corporate social responsibility initiatives, review the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its corporate social responsibility policies. The board of directors of the Company is to be responsible with the following matters in the company's performance of its corporate social responsibility initiatives: 1. Identifying the company's corporate social responsibility mission or vision, and declaring its corporate social responsibility policy, systems, or relevant management guidelines; 2. Making corporate social responsibility the guiding principle of the company's operations and development; and 3. Enhancing the disclosure of corporate social responsibility information.	The directors of the Company shall exercise the due care of good administrators to urge the Company to perform its <u>sustainable development initiatives</u> , review the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its <u>sustainable development</u> policies. The board of directors of the Company is to be responsible with the following matters in the company's performance of its <u>sustainable development initiatives</u> : 1. Identifying the company's corporate social responsibility mission or vision, and declaring its corporate social responsibility policy, systems, or relevant management guidelines; 2. Making corporate social responsibility the guiding principle of the company's operations and development; and 3. Enhancing the disclosure of <u>sustainable development</u> information.	Amended to conform with regulatory amendment(s)
	Chapter 5: Enhancing the Disclosure of Information on the Corporate Social Responsibility.	Chapter 5: Enhancing the Disclosure of Information on the Sustainable Development.	Amended to conform with regulatory amendment(s)
Article 19	The Company shall disclose information according to the Corporate Governance Best Practice Principles for TWSE/GTSM listed Companies and relevant regulations and shall fully disclose relevant and reliable information relating to their corporate social responsibility initiatives to improve information transparency. Relevant information relating to corporate social responsibility which the Company shall	The Company shall disclose information according to the Corporate Governance Best Practice Principles for TWSE/GTSM listed Companies and relevant regulations and shall fully disclose relevant and reliable information relating to their <u>sustainable development initiatives</u> to improve information transparency. Relevant information relating to <u>sustainable development</u> which the Company shall	Amended to conform with regulatory amendment(s)

	<p>disclose includes:</p> <ol style="list-style-type: none"> 1. The policy, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility initiatives, as resolved by the board of directors. 2. The risks and the impact on the corporate operations and financial condition arising from exercising corporate governance, fostering a sustainable environment, and preserving social public welfare. 3. Goals and measures for realizing the corporate social responsibility initiatives established by the Company. 4. The Company's corporate social responsibility initiatives performance. 5. Other information relating to corporate social responsibility initiatives. 	<p>disclose includes:</p> <ol style="list-style-type: none"> 1. The policy, systems or relevant management guidelines, and concrete promotion plans for <u>sustainable development initiatives</u>, as resolved by the board of directors. 2. The risks and the impact on the corporate operations and financial condition arising from exercising corporate governance, fostering a sustainable environment, and preserving social public welfare. 3. Goals and measures for realizing the <u>sustainable development initiatives</u> established by the Company, and performance in implementation. 4. The Company's corporate social responsibility initiatives performance. 5. Other information relating to corporate social responsibility initiatives. 	
Article 20	<p>The Company shall produce corporate social responsibility reports to disclose the status of their implementation of the corporate social responsibility policy. The reports shall include:</p> <ol style="list-style-type: none"> 1. The system framework, policy, and action plans for implementing corporate social responsibility initiatives. 2. Major stakeholders and their concerns. 3. Results and reviewing of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development. 4. Future improvements and goals. 	<p>The Company shall produce <u>sustainable development</u> reports to disclose the status of their implementation of the <u>sustainable development</u> policy. The reports shall include:</p> <ol style="list-style-type: none"> 1. The system framework, policy, and action plans for implementing sustainable development initiatives. 2. Major stakeholders and their concerns. 3. Results and reviewing of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development. 4. Future improvements and goals. 	Amended to conform with regulatory amendment(s)
Article 21	<p>The Company shall at all times monitor the development of domestic and foreign corporate social responsibility standards and the change of business environment so as to examine and improve its established corporate social responsibility framework and to obtain better results from the implementation of the corporate social responsibility policy.</p>	<p>The Company shall at all times monitor the development of domestic and foreign <u>sustainable development</u> standards and the change of business environment so as to examine and improve its established <u>sustainable development</u> framework and to obtain better results from the implementation of the <u>sustainable development</u> policy.</p>	Amended to conform with regulatory amendment(s)

Appendix 6

Froch Enterprise Co., Ltd.

Earnings Appropriation Report

2021

Unit: NTD

Items	Amount	Remarks
Distributable Earnings:		
1. Opening Undistributed Earnings	291,828,145	<p>1. The proposal was passed during the Board of Directors meeting dated March 17, 2022. 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>2. Employee remuneration to be allocated at NT\$15,390,257 Director remuneration to be allocated at NT\$15,390,257</p>
2. Effects of Retrospective Application and Restatement	0	
3. Net Income after Tax for 2021	1,204,559,122	
4. Other Comprehensive Income for 2021 - Actuarial Gains/Losses after Defined Benefit Plan	263,337	
5. Provision for Statutory Reserve	(120,482,246)	
6. Reverse Provision for Special Reserve	(19,077,721)	
7. Allocation of Cash Dividend at NT\$2.00 per Share	(561,052,054)	
8. Closing Undistributed Earnings	796,038,583	

Note 1: Once approved in a shareholders' 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 shareholders' meeting is shown in the following table. All percentages have conformed with the requirements stipulated in Article 26 of the Securities and Exchange Act.

Unit: shares

Title	Name	Current Shareholding	Remarks
Chairman	Ping-Yao Chang	17,547,946	
Director	Yi-Cheng Shih	1,209,206	
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		46,963,524	

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 15 to April 25, 2022, 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 Amended "Articles of Incorporation"

Article No.	Existing Article	Amended Article	Description
Article 10-1	<p>Annual profit concluded by the Company are first subject to taxation and compensation of previous losses, followed by a 10% provision for legal reserves; however, no further provision is needed when legal reserves have accumulated up to the amount of the Company's paid-up capital. Any surpluses remaining shall then be subject to provision or reversal of special reserves, as the laws may require. The board of directors can make a dividend proposal combining the residual balance from above and the undistributed earnings carried from previous years, subject to resolution in a shareholders' meeting.</p> <p>(The rest of the article omitted)</p>	<p>Annual profit concluded by the Company are first subject to taxation and compensation of previous losses, followed by a 10% provision for legal reserves; however, no further provision is needed when legal reserves have accumulated up to the amount of the Company's paid-up capital. Any surpluses remaining shall then be subject to provision or reversal of special reserves, as the laws may require. The board of directors can make a dividend proposal combining the residual balance from above and the undistributed earnings carried from previous years, subject to resolution in a shareholders' meeting.</p> <p><u>The distributable dividends and bonuses, capital reserve, legal reserve, in whole or in part, may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. The above-mentioned "subject to resolution in a shareholding meeting" does not apply.</u></p> <p>(The rest of the article omitted)</p>	Amended to conform with regulatory amendment(s)
Article 11	<p>The Company holds two types of shareholders' meeting: the annual general meeting and extraordinary meeting. The annual general meeting is held once a year within six months after the end of an accounting period, whereas extraordinary shareholders' meetings may be held whenever deemed necessary, subject to compliance with the relevant laws.</p>	<p>The Company holds two types of shareholders' meeting: the annual general meeting and extraordinary meeting. The annual general meeting is held once a year within six months after the end of an accounting period, whereas extraordinary shareholders' meetings may be held whenever deemed necessary, subject to compliance with the relevant laws.</p> <p><u>The shareholders' meetings may be held by means of visual communication network or other methods promulgated by the central competent authority.</u></p>	Amended to conform with regulatory amendment(s)

Article 22	<p>The Company's operating guideline and other major matters are decided by the Board of Directors. In addition to the functions and powers conferred by the Company Act and the shareholders' meeting, the powers of the Board of Directors also include the following matters:</p> <ol style="list-style-type: none"> 1. Approval and amendment of the "Articles of Incorporation". 2. Approval of annual budget and review of annual final accounts. 3. Certain amounts or prices of capital expenditure and approval of contracts 4. Approval on the Company's applications to financial institutions for financing, guarantee, acceptance and other loans, and borrowing and non-operating advances within certain amounts or prices. 5. Approval of endorsement, guarantee and acceptance in the name of the Company. 6. Establishment and abolition of branches. ° 7. Approval of reinvestments in other businesses. 8. The procedure of approving acquisition or disposal of assets shall be established in accordance with the "Rules for acquisition or disposal of assets" established by the Company. 9. Approval and revision of investment plans for plant construction or expansion. 10. Acquisition, transfer, grant of specialized technical skills and patent rights, and approval, revision, and termination of technical cooperation contracts. 11. Proposals for earnings distribution and special compensation. 12. Proposals for the Company's capital increase or reduction. 13. Major changes in the Company's operation or organization. 14. Approval for the regulations on transactions between the Company and its affiliated enterprises or with shareholders, directors and their relatives. 15. Resolved to acquire the Company's shares for assigning to employees. 	<p>The Company's operating guideline and other major matters are decided by the Board of Directors. In addition to the functions and powers conferred by the Company Act and the shareholders' meeting, the powers of the Board of Directors also include the following matters:</p> <ol style="list-style-type: none"> 1. Approval and amendment of the "Articles of Incorporation". 2. Approval of annual budget and review of annual final accounts. 3. Certain amounts or prices of capital expenditure and approval of contracts 4. Approval on the Company's applications to financial institutions for financing, guarantee, acceptance and other loans, and borrowing and non-operating advances within certain amounts or prices. 5. Approval of endorsement, guarantee and acceptance in the name of the Company. 6. Establishment and abolition of branches. ° 7. Approval of reinvestments in other businesses. 8. The procedure of approving acquisition or disposal of assets shall be established in accordance with the "Rules for acquisition or disposal of assets" established by the Company. 9. Approval and revision of investment plans for plant construction or expansion. 10. Acquisition, transfer, grant of specialized technical skills and patent rights, and approval, revision, and termination of technical cooperation contracts. 11. Proposals for earnings distribution and special compensation. 12. Proposals for the Company's capital increase or reduction. 13. Major changes in the Company's operation or organization. 14. Approval for the regulations on transactions between the Company and its affiliated enterprises or with shareholders, directors and their relatives. 15. Resolved to acquire the Company's shares for assigning to employees. <u>16. Appointment, dismissal, and remuneration of the CPA.</u> 	Amended by the Company
------------	---	---	------------------------

Appendix 10

Froch Enterprise Co., Ltd.

Comparison Table of

Existing and Amended "Rules of Acquisition and Disposal of Asset"

Article No.	Existing Article	Amended Article	Description
Article 3	<p>The Company shall obtain professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <p>1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>2. May not be a related party or de facto related party of any party to the transaction.</p> <p>3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <p>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>2. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information,</p>	<p>The Company shall obtain professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <p>1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>2. May not be a related party or de facto related party of any party to the transaction.</p> <p>3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with <u>the self-regulated standards of their professional association</u> and the following:</p> <p>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>2. When execuating a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>3. They shall undertake an item-by-item evaluation of the <u>appropriateness</u> and</p>	Amended to conform with regulatory amendment(s)

	<p>as the basis for issuance of the appraisal report or the opinion.</p> <p>4.They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</p>	<p>reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>4.They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations.</p>	
Article 7	<p>In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the declaration is necessary, and the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of machinery, and equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>1.Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</p> <p>2.Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>3.Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1).The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</p> <p>(2).The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</p>	<p>In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the declaration is necessary, and the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of machinery, and equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>1.Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</p> <p>2.Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>3.Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1).The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</p> <p>(2).The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</p>	Amended to conform with regulatory amendment(s)

	<p>4.No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>Except where a limited price, specified price, or special price is employed by a construction enterprise as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a legitimate reason for the delay, the report, and the certified public accountant's opinion under subparagraph 3 of the preceding paragraph, shall be obtained within 2 weeks counting inclusively from the date of occurrence.</p>	<p>4.No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>pt where a limited price, specified price, or special price is employed by a construction enterprise as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a legitimate reason for the delay, the report, and the certified public accountant's opinion under subparagraph 3 of the preceding paragraph, shall be obtained within 2 weeks counting inclusively from the date of occurrence.</p>	
Article 8	<p>Acquire real property from related party:</p> <p>1. When the Comopany acquires or exchanges real property thereof from a related party, the Company shall ensure that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised in compliance with the provisions of the preceding article and this article.</p> <p>2. When the Company intends to acquire real property or right-of-use assets thereof from a related party, or intends to acquire assets other than real property or right-of-use assets thereof from a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more, (except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises), the Company may not proceed with the acquisition until the following matters have been approved by the board of directors and reviewed by the Audit Committe:</p> <p>(1). The purpose, necessity, and anticipated benefit of the acquisition of the real property.</p> <p>(2). The reason for choosing the related party as a transaction counterparty.</p> <p>(3). With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms.</p> <p>(4). The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</p> <p>(5). Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and</p>	<p>Acquire real property from related party:</p> <p>1. When the Comopany acquires or exchanges real property thereof from a related party, the Company shall ensure that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised in compliance with the provisions of the preceding article and this article.</p> <p>2. When the Company intends to acquire real property or right-of-use assets thereof from a related party, or intends to acquire assets other than real property or right-of-use assets thereof from a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more, (except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises), the Company may not proceed with the acquisition until the following matters have been approved by the board of directors and reviewed by the Audit Committe:</p> <p>(1). The purpose, necessity, and anticipated benefit of the acquisition of the real property.</p> <p>(2). The reason for choosing the related party as a transaction counterparty.</p> <p>(3). With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms.</p> <p>(4). The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</p> <p>(5). Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the</p>	Amended to conform with regulatory amendment(s)

	<p>reasonableness of the funds utilization.</p> <p>(6). An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>(7). Restrictive covenants and other important stipulations associated with the transaction.</p> <p>When the Company engages in the acquisition or disposal of equipment, real property, or right-to-use assets thereof held for business use, with its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the company's board of directors may pursuant to Article 6, paragraph 2, delegates the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>(The rest of the article omitted)</p>	<p>necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6). An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>(7). Restrictive covenants and other important stipulations associated with the transaction.</p> <p>When the Company engages in the acquisition or disposal of equipment, real property, or right-to-use assets thereof held for business use, with its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the company's board of directors may pursuant to Article 6, paragraph 2, delegates the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p><u>When the Company or its subsidiaries that are not domestic public companies engage in the above item 2 transactions, and the transaction amount reaches 10% or more of the company's total assets, the Company shall not proceed to enter into a transaction contract or make a payment until the matters of the above item 2 transactions have been approved by the shareholders meeting except the transactions are within the Company, its subsidiaries, and the sub-subsidiaries.</u></p> <p>(The rest of the article omitted)</p>	
Article 9	<p>The CPA opinion when acquiring or disposing of securities:</p> <p>When acquiring or disposing of securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20% of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p>	<p>The CPA opinion when acquiring or disposing of securities:</p> <p>When acquiring or disposing of securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20% of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p>	Amended to conform with regulatory amendment(s)
Article 14	<p>Public Disclosure of Information:</p> <p>1. Under any of the following circumstances, when acquiring or disposing of assets, the</p>	<p>Public Disclosure of Information:</p> <p>1. Under any of the following circumstances, when acquiring or disposing of assets, the</p>	Amended to conform with regulatory

	<p>Company shall publicly announce and report the relevant information on the designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(1).Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds.</p> <p>(2).Merger, demerger, acquisition, or transfer of shares.</p> <p>(3).Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>(4). Where an asset transaction other than any of those referred to in the preceding (1) to (3) subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>A. trading of domestic government bonds,</p> <p>B. trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds.</p> <p>C. where machinery or equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>(5).where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount to invest in the transaction is less than NT\$500 million. (Based on the amount the Company expects to invest in).</p> <p>(The rest of the article omitted)</p>	<p>Company shall publicly announce and report the relevant information on the designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(1).Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds.</p> <p>(2).Merger, demerger, acquisition, or transfer of shares.</p> <p>(3).Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>(4). Where an asset transaction other than any of those referred to in the preceding (1) to (3) subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>A. trading of domestic government bonds, <u>or foreign government bonds whose credit ratings are no inferior than Taiwan's sovereign rating.</u></p> <p>B. trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds.</p> <p>C. where machinery or equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>(5).where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount to invest in the transaction is less than NT\$500 million. (Based on the amount the Company expects to invest in).</p> <p>(The rest of the article omitted)</p>	<p>amendment(s)</p>
--	--	---	---------------------

Appendix 11

Froch Enterprise Co., Ltd.

Comparison Table

of

Existing and Amended "Shareholder Conference Rules"

Article No.	Existing Article	Amended Article	Description
Article 3	<p>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.</p>	<p>The chairperson should announce commencement of meeting as soon as current attendees represent more than half of the Company's outstanding shares <u>and disclose information concerning the number of nonvoting shares and number of shares represented by shareholders attending the meeting.</u> 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.</p>	Amended to conform with regulatory amendment(s).
Article 17	<p>Motion and election votes are to be counted openly at the shareholders' meeting. Results of the vote, including the final tally, shall be announced on-site and recorded in minutes. Shareholders' meetings that involve election of directors shall proceed according to the Company's election rules. Results of the election, including the list of elected directors and the final tally, must be announced on-site.</p>	<p>Motion and election votes are to be counted openly at the shareholders' meeting. Results of the vote, including the final tally, shall be announced on-site and recorded in minutes. Shareholders' meetings that involve election of directors shall proceed according to the Company's election rules. Results of the election, including the list of elected directors and the final tally <u>and the list of not elected directors and the final tally they received, must be announced on-site.</u></p>	

Appendix 12

Froch Enterprise Co., Ltd.

Articles of Incorporation (before amendment)

Article 1

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

Article 2

Business activities of the Company are as follows:

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

Article 3

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

Article 4 Deleted

Article 5

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

Article 6

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

Article 7

Authorized capital of the Company is set at NT\$4,000,000,000, available in 400,000,000 shares of 10 New Taiwan Dollars par value per share. The board of directors is authorized to approve offering of unissued shares in multiple issues. Any sale of shares to employees at prices below the Company's average purchase price shall be resolved before transferring in a nearest shareholders' meeting with the presence of shareholders representing more than half of outstanding shares, and voted in favor by more than two-thirds of votes present in the meeting.

Article 8

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

Article 9

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

Article 10

Annual profits concluded by the Company are subject to employee remuneration of 1%, which

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

Article 10-1

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

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

Article 11

The Company holds two types of shareholders' meeting: the annual general meeting and extraordinary meeting. The annual general meeting is held once a year within six months after the end of an accounting period, whereas extraordinary shareholders' meetings may be held whenever deemed necessary, subject to compliance with the relevant laws.

Article 12

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

Article 13

The Shareholders' Meeting shall be convened by the board of directors and the Chairman of the board shall 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. Shareholders' meetings that are convened by other authorized parties shall be chaired by the convener; if there are two or more conveners, one shall be appointed among them to act as 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 shareholders' meeting resolution is passed when more than 50% of all outstanding shares are represented in the meeting, and voted in favor by more than 50% of all voting rights represented at the meeting. If votes are tied, the 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 shareholders' meeting in person. Electronic voting shall proceed as regulated by law.

Article 16

Shareholders' meeting resolutions shall be compiled into detailed minutes, signed or sealed by the 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 shareholders' meetings from persons of adequate capacity to serve a term of three years, the term is renewable if re-elected. The number of directors mentioned above shall include no fewer than three independent directors that make up no less than 1/5 of director seats. With adoption of the candidates nomination system, independent directors shall be elected by shareholders from the list of nominated candidates. Restrictions concerning independent directors' eligibility, shareholding, concurrent employment, nomination, method of election, and all other compliance issues are governed by relevant laws of the securities authority. Once the Company has made a public offering of shares, directors' total shareholding shall comply with rules of the securities authority.

Article 17-1

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

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

Article 18

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

Article 19

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

Article 20

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

Article 21

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

Article 21-1

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

Article 22

The Company's 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 shareholders' meeting, so that the Audit Committee may present them during the annual general meeting of shareholders for ratification:

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

Article 27

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

Article 28

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

Article 29

The Articles of Incorporation was established on September 15, 1984; the 1st amendment was made on June 2, 1986; the 2nd amendment was made on August 11, 1988; the 3rd amendment

was made on June 5, 1989; the 4th amendment was made on September 28, 1989; the 5th amendment was made on June 2, 1990; the 6th amendment was made on January 25, 1991; the 7th amendment was made on May 12, 1991; the 8th amendment was made on May 12, 1992; the 9th amendment was made on October 17, 1992; the 10th amendment was made on April 25, 1995; the 11th amendment was made on August 30, 1996; the 12th amendment was made on October 21, 1996; the 13th amendment was made on May 16, 1997; the 14th amendment was made on March 20, 1998; the 15th amendment was made on May 28, 1999; the 16th amendment was made on May 26, 2000; the 17th amendment was made on May 10, 2001; the 18th amendment was made on June 5, 2002; the 19th amendment was made on May 28, 2003; the 20th amendment was made on May 11, 2004; the 21st amendment was made on May 25, 2005; the 22nd amendment was made on June 6 2006; the 23rd amendment was made on June 13, 2007; the 24th amendment was made on June 13, 2008; the 25th amendment was made on June 16, 2009; the 26th amendment was made on June 15, 2010; the 27th amendment was made on June 13, 2012; the 28th amendment was made on June 17, 2013; the 29th amendment was made on June 16, 2015; the 30th amendment was made on June 21, 2016; the 31st amendment was made on June 13, 2019; and the 32nd amendment was made on June 12, 2020; and the 33rd amendment was made on August 19, 2021. All of which have been implemented after the approval of the government authorities.

Froch Enterprise Co., Ltd.

Rules of Acquisition and Diposal of Asset (before amendment)

Article 1 Purpose and Source of Regulation

To conform to the new regulation and reinforce the Company's management on "Rules of Acquisition and Diposal of Asset", the rules are formulated with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" on 10, December, 2002 per Letter Ref. No. Taichaizhen (1) 0910006105 by the Securities and Futures Commission, FSC, Ministry of Finance. However, in cases to which other laws or regulations regulate, those other applicable regulations shall apply.

Article 2 Definition

1. The term "assets" as used in these Rules includes the following:

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

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

3. The term "assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law" as used in these Rules refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under paragraph 8, Article 156 of the Company Act.

4. The term "related party or subsidiary" as used in these Rules refers to as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

5. The term "professional appraiser" as used in these Rules refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.

6. The term "date of occurrence" as used in these Rules refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, (whichever date is earlier); provided, for investment for which approval of the competent

authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.

7. The term "Mainland China area investment" as used in these Rules refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 3 The Removal of Related Party

The Company shall obtain professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

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

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

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

Article 4 The Range of Investment and Amount

1. When the Company intends to acquire the real property's right-of-use assets, or securities that are not for operational use, the limits on the amount are as follows:

- (1). The total amount of the real property's right-of-use assets, or securities that are not for operational use, shall not exceed 40% of the Company's shareholders' equity and long-term debt audited by the Company's CPA.
- (2). The amount of securities investment shall not exceed the Company's shareholders' equity audited by the Company's CPA.
- (3). The limit on individual security investment shall not exceed 40% of the Company's shareholders' equity audited by the Company's CPA.

2. The limits on the amount of acquisition of real property and securities that are not for operational use by the Company's Subsidiaries are as follows:

- (1). The acquisition of real property and right-of-use assets by the Company's Subsidiaries not for operational use are forbidden.
- (2). The total amount of securities investment by the Company's Subsidiaries should not exceed

40% of the Company's shareholders' equity audited by the Company's CPA.

(3). The limit on individual security investment shall not exceed 20% of the Company's shareholders' equity audited by the Company's CPA.

Article 5 Procedures of Evaluation and Processing for the Acquisition or Disposal of Assets

1. Acquisition or Disposal of Securities

(1) For securities acquired or disposed of in the centralized exchange market or OTC exchange, the operating department shall submit items such as the reasons for the proposed acquisition or disposal, targeted assets, and price reference, etc. to the in-charge department for the decision.

(2) For securities not acquired or disposed of in the centralized exchange market or OTC exchange, the operating department shall submit items such as the reasons for the proposed acquisition or disposal, targeted assets, counterparties, price of transfer, receipt and payment terms, and price reference, etc. to the in-charge department for the decision.

2. For acquisition or disposal of other assets, the operating department shall list reason of acquisition or disposal, targeted assets, counterparties, price of transfer, receipt and payment terms, and price reference, etc. to the in-charge department for the decision.

3. Financial department is the executive unit for securities investment in the Company. Real property and other fixed assets are executed by user units and relative authorities. Other assets apart from securities, real property and other fixed assets are executed by relative units after evaluation.

4. Relevant operations for acquisition or disposal of assets shall be executed in accordance with the Company's internal control regulations.

Article 6 Payment Terms Deciding Procedures

1. Methods and the Reference Basis for the Decision on Price of Acquisition or Disposal Assets

(1). Acquisition or disposal of securities

a. For securities purchased and sold in the centralized exchange market or OTC exchange, the price shall be determined according to the price of shares of securities and bonds at the time of transaction.

b. For securities not acquired or disposed of in the centralized exchange market or OTC exchange, the price shall be determined by reference to the target's net worth per share, profitability, future development potential, market rate, bond coupon rate, credibility of creditor, and current transaction price.

(2). The acquisition or disposal of other assets shall be carried out by price inquiry, comparison, negotiation, bidding, or public tender. As to the price of real property, it shall be determined by reference to the publicly announced current value, appraised current value, and actual transaction price in the vicinity.

2. Level of Authorization

(1). The sale and purchase of the Company investments in securities [corporate shares, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, domestic beneficiary certificate, overseas mutual funds, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities], shall be submitted to the Chairman for approval if the amount is under NT\$100 million. Those over NT\$100 million shall be submitted to the Board of Directors for ratification.

(2). Acquisition or disposal of real property and other assets under NT\$100 million shall be submitted to the Chairman for approval. Those over NT\$100 million shall be submitted to the Board of Directors for ratification.

Article 7 The Appraisal Reports of Acquisition or Disposal of Real Property and Other Fixed Assets

In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the declaration is necessary, and the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government

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

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

Article 8 Acquire Real Property from Related Party

1. When the Company acquires or exchanges real property thereof from a related party, the Company shall ensure that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised in compliance with the provisions of the preceding article and this article.
 2. When the Company intends to acquire real property or right-of-use assets thereof from a related party, or intends to acquire assets other than real property or right-of-use assets thereof from a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more, (except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises), the Company may not proceed with the acquisition until the following matters have been approved by the board of directors and reviewed by the Audit Committee:
 - (1). The purpose, necessity, and anticipated benefit of the acquisition of the real property.
 - (2). The reason for choosing the related party as a transaction counterparty.
 - (3). With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms.
 - (4). The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
 - (5). Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
 - (6). An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
 - (7). Restrictive covenants and other important stipulations associated with the transaction.
- When the Company engages in the acquisition or disposal of equipment, real property, or

right-to-use assets thereof held for business use, with its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the company's board of directors may pursuant to Article 6, paragraph 2, delegates the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

3. Whereas the Company acquires real property or right-of-use assets thereof from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means (where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the following means):

(1). Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

(2). Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.

4. The Company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding paragraph shall also engage a CPA to check the appraisal and render a specific opinion.

5. Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with what the paragraph 2 stipulates, and the preceding two paragraphs do not apply:

(1). The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.

(2). More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.

(3). The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

6. When the results of a public company's appraisal conducted in accordance with paragraph 3 of the Article are uniformly lower than the transaction price, the matter shall be handled in compliance with paragraph 7. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

(1). Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:

a. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

b. Completed transactions by unrelated parties within the preceding year involving other floors

of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.

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

(3). Completed transactions involving neighboring or closely valued parcels of land in the preceding subparagraph (1) and (2) in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

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

(1). A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. Where the Company has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

(2). The independent directors shall comply with Article 218 of the Company Act.

(3). Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

Article 9 The CPA Opinion when Acquiring or Disposing of Securities

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

Article 10 The Acquisition or Disposal of Membership or Intangible Assets

The acquired or disposed of memberships or intangible assets or right-of-use assets thereof and the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public

accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.

Article 11

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

Article 12 Trades of Derivatives

1. Trading principles and strategies: shall follow the Company's "Rules of Acquisition and Diposal of Asset".

2. Measurements of risk management

(1). Total amount of derivatives contracts that may be traded shall not exceed the total amount of foreign currency that the Company actually needs for its import and export. When evaluating with market price, the amount of options that may be exercised shall not exceed US\$150 million.

(2). The aggregate loss limit of total amount of derivatives contracts that may be traded shall not exceed US\$15 million and shall not exceed US\$1.5 million for individual contracts.

(3). Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.

(4). Risk measurement, monitoring, and control personnel shall be assigned to a different department from trading, confirmation, and settlement personnel and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.

(5). Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.

(6). Other important risk management measures.

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

(1). Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk..

(2). Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.

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

(1). Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with this rules and the procedures for engaging in derivatives trading formulated by the company.

(2). When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors.

5. The Company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivates trading.

6. The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under subparagraph 2-(4), 3-(2), and 4-(1) of this Article shall be recorded in detail in the log book.

7. Internal Audit System: The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives.

Article 13 Merger, Demerger, Acquisition, and Share Transfer of Corperation

A company participating in a merger, demerger, and acquisition shall convene a board of

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

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

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

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

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

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of 3rd and 4th paragraphs.

Article 14 Public Disclosure of Information

1. Under any of the following circumstances, when acquiring or disposing of assets, the Company shall publicly announce and report the relevant information on the designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:

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

(2). Merger, demerger, acquisition, or transfer of shares.

(3). Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.

(4). Where an asset transaction other than any of those referred to in the preceding (1) to (3) subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches more of 20% paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:

A. trading of domestic government bonds,

B. trading of bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.

C. where machinery or equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount is less than NT\$500 million.

(5). Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount to invest in the transaction is less than NT\$500 million. (Based on the amount the Company expects to invest in).

2. The amount of transactions above shall be calculated as follows:

(1). The amount of any individual transaction.

(2). The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.

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

(4). The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

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

4. Shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

5. When a public announcement contains an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.

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

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

(1). Change, termination, or rescission of a contract signed in regard to the original transaction.

(2). The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.

(3). Change to the originally publicly announced and reported information.

Article 15 Other matters

1. Where subsidiaries of the Company not categorized as domestic public companies whose acquisition or disposal of assets reach the thresholds of public announcement under these Rules, the Company shall also make a public announcement with copies to relevant competent authorities in accordance with these Procedures. The paid-in capital or assets criteria of the public announcement shall base on the Company's paid-in capital or assets.

2. Where subsidiaries of the Company acquiring or disposing assets, the subsidiaries shall enact "Rules of Acquisition or Disposal of Asset" and approved by the company's board of directors. Any amendment thereto shall be subject to the same procedures. Any amendment thereto shall be subject to the same procedures.

3. Acquisition or disposal of asset that reaches the threshold for announcement in these rules, and the trade counterpart is a de facto related party, the Company shall disclose the announcement in financial report and report to shareholders' meeting.

4. Where the Company acquires real property from related party, except construction contract, shall be declared following "Regulations Governing the Acquisition of Real Property from

Related Party by Public Companies" issued by Securiteis and Futures Institute (SFI), and establish a statement of forecasted cash receipt and disbursement for each month of the following year starts from expected contract month and evaluate the necessity and the reasonableness of fund application. The case shall be executed after being approved by the board of directors and the audit committee and shall be reported to the next shareholders' meeting. In the case the amount reaches the threshold of Article 9 it shall than be publicly announced.

5. Related personnel who violate these Rules and related regulations, the Company could execute warnings, record of demerits, demotion, suspension, pay cut, or other punishments depending on the seriousness of the case and make it an internal review matter.

6. Matters not provided herein shall be governed by the relevant laws and regulations and relevant internal rules of the Company. If the Procedures of Acquisition or Disposal of Assets in the original ruling is amended by the competent authority, the Company shall apply the provisions in the new rules.

7. This Rule shall be implemented after approved by the board of directors and be submitted a copy to the authority for reference and submit to the independent directors for reporting to the shareholders' meeting for approval. The same procedures shall apply with any amendment hereto. If a director holds dissenting opinion and there is record for it or in written statement, the Company shall submit the director's dissenting opinion to the independent directors.

8. For the calculation of 10% of total assets under these rules, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used. In the case of a company whose shares have no par value or a par value other than NT\$10—for the calculation of transaction amounts of 20% of paid-in capital under these rules, 10% of equity attributable to owners of the parent shall be substituted; for calculations under the provisions of these rules regarding transaction amounts relative to paid-in capital of NT\$10 billion, NT\$20 billion of equity attributable to owners of the parent shall be substituted.

Appendix 14

Froch Enterprise Co., Ltd.

Shareholder Conference Rules (before amendment)

Article 1

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

Article 2

The meeting notice must specify meeting time, venue, and important notes where relevant. Admission of meeting attendees shall begin at least 30 minutes before the meeting commences. The reception area must be clearly marked and stationed with adequate and competent personnel.

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

Shareholders shall present attendance sign-in cards to signify their presence. The number of shares represented in meeting is counted based on the attendance sign-in cards collected. Attendance and votes during shareholders' meetings are calculated in shares. Where the shareholder is a government agency or corporate entity, more than one representative may attend shareholder's meetings on their behalf. Corporate entities that have been designated as proxy attendants can only appoint one representative to attend shareholders' meetings. Shareholders who attend the meeting shall be given a copy of the conference handbook, annual reports, attendance pass, speaker's slip, voting ballot, and any information relevant to the meeting. The Company shall prepare additional ballots if director 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 shareholders' meetings that are convened by the board of directors, the board of directors will determine the meeting agenda. Meetings shall progress according to agenda, which can not be altered unless resolved by attending shareholders. This rule also applies to shareholders' meetings that are convened by authorized parties other than the board of directors. The 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

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

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

Article 12

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

Article 13

Corporate entities may only appoint one representative to attend shareholders' meetings.

Where a corporate shareholder has appointed two or more representatives to attend the shareholders' meeting, only one representative may speak per motion.

Article 14

After a shareholder has finished speaking, the 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 shareholders' meeting. Results of the vote, including the final tally, shall be announced on-site and recorded in minutes. Shareholders' meetings that involve election of directors shall proceed according to the Company's election rules. Results of the election, including the list of elected directors and the final tally, must be announced on-site.

Article 18

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

Appendix 15

Froch Enterprise Co., Ltd.

Rules of Election for Directors

Article 1

The Company's election for directors shall follow these rules.

Article 2

The disclosed cumulative voting method shall be used to elect directors, and each share shall have voting rights in a number equal to the number of directors to be elected and may be cast for a single candidate or split among multiple candidates. Attendance card numbers printed on the ballots may be used instead of recording the names of voters.

Article 3

Upon the election commencement, the chairperson shall appoint a number of persons to perform the respective duties of vote monitoring and ballot counting.

Article 4

The number of directors will be as specified in the Articles of Incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of voting rights. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chairperson drawing lots on behalf of any person not in attendance.

Article 5

The ballots shall be prepared by the board of directors and shall be distributed according to the attendance card numbers. Each attendance card number shall have number of ballots equaling the number of directors to be elected with the voting rights listed on each ballot.

Article 6

Voters shall fill in the "candidate" column with the candidate's name and shareholder's number for such candidate.

Article 7

Ballots shall be deemed void under the following conditions:

- (1). Ballots not distributed according to Article 5;
- (2). Candidate filled in the ballot is more than two people;
- (3). Ballots with other written characters or symbols in addition to candidate's name, and shareholder's number.

Article 8

Candidates' ballots shall be deemed void under the following conditions:

- (1). The writing on the ballot is blurred and beyond recognition;
- (2). The name of the candidate filled in the ballot is inconsistent with the shareholders' register;
- (3). The name of the candidates filled in the ballots being the same as another shareholder name and the respective shareholder's number is not indicated to distinguish with.

Article 9

The ballots should be calculated right after the vote casting and the results of the election should be announced by the chairperson at the meeting.

Article 10

The Company shall issue notifications to the directors elected respectively.

Article 11

The Rules may be revised when necessary.

Article 12

The Rules and any revision thereof shall become effective after approval at the Shareholders' meeting.