

Stock Code : 8996



KAORI HEAT TREATMENT CO., LTD

## 2022 Annual General Shareholders' Meeting

# Agenda Handbook

Note to Readers:

If there is any discrepancy between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese version shall prevail.

Convening method: Physical shareholders' meeting

Meeting Date: June 16, 2022

Location: No.5-2, Chi-Lin North Road, Chung-Li District, Taoyuan City, Taiwan. (Large conference room on 5F of the operational headquarters at the head office)

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# **KAORI HEAT TREATMENT CO., LTD**

## **Procedure for the 2022 Annual General Shareholders' Meeting**

**1. Call the Meeting to Order**

**2. Chairman's Address**

**3. Report Items**

**4. Ratification Items**

**5. Discussion Items**

**6. Extempore motions**

**7. Adjournment**

# **KAORI HEAT TREATMENT CO., LTD**

## **Agenda for the 2022 Annual General Shareholders' Meeting**

Time: 9:30 a.m., Thursday, June 16, 2022

Location: No.5-2, Chi-Lin North Road, Chung-Li District, Taoyuan City,  
Taiwan. (Large conference room on 5F of the operational headquarters at the head  
office)

### **1. Call the Meeting to Order**

### **2. Chairman's Address**

### **3. Report Items:**

- (1) 2021 Business Reports.
- (2) 2021 Audit Committee's Review Reports.
- (3) 2021 Employee and Director Remuneration Distribution Reports.
- (4) 2021 Shareholders' Dividend and Bonus Distribution Reports.

### **4. Ratification Items:**

- (1) 2021 Business reports and Financial Statements.

### **5. Discussion Items :**

- (1) Amendments to the "Articles of Incorporation".
- (2) Amendments to the "Rules of Procedure for Shareholders' Meetings".
- (3) Amendments to the "Procedures for Acquisition or Disposal of Assets".

### **6. Extempore motions:**

### **7. Adjournment**

## Report Items

### Item 1:

Proposal: To report the 2021 Business Reports for review.

Description: Please refer to page 8-13 of [Attachment 1] in this agenda handbook for the 2021 Business Reports of the company.

### Item 2:

Proposal: To report the 2021 Audit Committee's Review Reports for review.

Description: Please refer to page 14 of [Attachment 2] of this agenda handbook for the 2021 Audit Committee's Review Reports.

### Item 3:

Proposal: To report the 2021 Employee and Director Remuneration Distribution Reports for review.

Description: 1. According to the Articles of Incorporation of the company, if the company makes profits in the year, it shall set aside not less than 2% as the remuneration for employees and not more than 5% as the remuneration for directors.

2. The company's net profit before-tax in 2021 is NT\$195,520,598, which is to be distributed in accordance with the Articles of Incorporation. It is suggested to distribute NT\$4,078,994 for employees and NT\$ 6,798,324 for directors.

### Item 4:

Proposal: To report the 2021 Shareholders' Dividend and Bonus Distribution Reports for review.

Description: 1. The case has been approved by the board of directors on March 25, 2022.

2. The net profit after-tax of the company in 2021 was NT\$149,156,147. The remeasurements of the net defined benefit liability was recognized as the retained surplus of NT\$ -531,797. The 10% legal reserve set aside according to the laws was NT\$14,862,435. In addition, the undistributed surplus at the

beginning of the adjustment period was NT \$60,700,085. The total available for distribution surplus in the current period was NT \$194,993,797. The company intends to distribute cash dividends based on NT\$1.5 per share, without any procedure fees; the total amount is NT\$134,076,120.

The cash (dividend) is calculated to NT 1 dollar according to the distribution proportion; those less than NT1 will be rounded down. The total amount of fractional parts less than NT 1 is included in the company's other income.

3. Please refer to page 15 of [Attachment 3] of this agenda handbook for the 2021 Disposition of Net Surplus.
4. As for affairs such as the benchmark date of ex-dividend, the date of issuance and other relevant matters, the chairman of the board of directors is authorized to make further decisions. Thus, should there be any change in the number of outstanding shares that may result in any change in payout ratio, the chairman of the board of directors can make adjustments at his sole discretion.

## **Ratification Items**

Item 1: (Proposed by the Board)

Proposal: Propose the 2021 Business Reports and Financial Statements for ratification.

Description: 1. The company's 2021 Disposition of Net Surplus, financial statements and consolidated financial statements have been audited by accountants Chen Wenxiang and Liu Shulin of Deloitte & Touche.

2. The case has been approved by the resolution of the board of directors on March 25, 2022, and then submitted to the Audit Committee for review.

3. Please refer to page 15 of [Attachment 3] of this agenda handbook for the Disposition of Net Surplus.

4. Please refer to page 8-13 of [Attachment 1] and pages 16-36 of [Attachment 4] of this agenda handbook for the above-mentioned financial statements and CPA's audit reports.

5. Please ratify.

Resolution:

## Discussion Items

Item 1: (Proposed by the Board)

Proposal: To propose the amendment to the “Articles of Incorporation” for discussion.

Description:

1. To be in line with the amendment of Article 172-2 of the Company Act and the provisions regarding setting aside or reversing the special reserve, we intend to make amendments to some of the provisions in the Articles of Incorporation regarding the means for convening shareholders' meetings and the provisions about setting aside or reversing the special reserve.
2. Please refer to page 37-38 of [Attachment 5] of this agenda handbook for the Comparison of amendments to the “Articles of Incorporation”.
3. Please discuss for resolution.

Resolution:

Item 2: (Proposed by the Board)

Proposal: To propose the amendment to the “Rules of Procedure for Shareholders' Meetings” for discussion.

Description:

1. To be in line with the sample templates in "Regulations Governing the Administration of Shareholder Services of Public Companies" and the “Rules of Procedures for Shareholders' Meetings of XXX Co., Ltd.” announced by the Taiwan Stock Exchange (TWSE), several amendments are made regarding some parts of the contents of the Rules of Procedure for Shareholders' Meetings.
2. Please refer to pages 39-52 of [Attachment 6] of this agenda handbook for the Comparison of amendments to the “Rules of Procedure for Shareholders' Meetings”.
3. Please discuss for resolution.

Resolution:



Item 3: (Proposed by the Board)

Proposal: To propose the amendment to the "Procedures for Acquisition or Disposal of Assets" for discussion.

Description:

1. In accordance with the provisions of the letter No. 1110380465 issued by the Financial Supervisory Commission on January 28, 2022, the "Procedures for Acquisition or Disposal of Assets" are hereby amended.
2. Please refer to pages 53-65 of [Attachment 7] of this agenda handbook for the Comparison of amendments to the "Procedures for Acquisition or Disposal of Assets".
3. Please discuss for resolution.

Resolution:

**Extempore motions**

**Adjournment**

## 2021 Business Reports

It has been more than two years since the COVID-19 pandemic broke out. Although countries around the world have gradually figured out how to coexist with the pandemic and the economy has recovered step by step, but factors such as the Russian-Ukrainian war and the inflation in global economy have also brought great challenges, bringing many ordeals in enterprise operation. We hope that the company can maintain a steady growth momentum in the future, through sustainable cooperation and efforts from the professional management team and all staff.

This year, KAORI is stepping into the 52nd anniversary. Compared with other countries in the world, the pandemic is relatively well controlled in our country; therefore, the company has slowly recovered its growth and profits in 2021. I am so grateful to all shareholders for your care and support to the company; meanwhile, I would like to thank all partners for the hard work and contribution during the past years. I hope that the company can maintain steady growth and profits in the future. Now, I am going to report the company's operating conditions last year, as well as its prospects for this year as follows:

### 1. Results of the implementation of the 2021 annual business plan:

#### (1) 2021 Individual financial reports

Unit: NT\$1000

Item	2021	2020	Increase/ Decrease amounts	Increase/ Decrease rate (%)
Operating revenue	2,087,001	1,994,993	92,008	4.61%
Net operating profit	185,372	159,569	25,803	16.17%
Net profit of the current period	149,156	112,524	36,632	32.55%
Total comprehensive income of the current period	115,129	275,674	(160,545)	(58.24%)
Basic earnings per share (NT dollar)	1.67	1.26	0.41	32.54%

#### (2) 2021 consolidated financial reports

Unit: NT \$1000

Item	2021	2020	Increase/ Decrease amounts	Increase/ Decrease rate (%)
------	------	------	----------------------------------	--------------------------------

Operating revenue	2,231,273	2,076,359	154,914	7.46%
Net operating profit	230,355	170,279	60,076	35.28%
Net profit of the current period	149,156	112,524	36,632	32.55%
Total comprehensive income of the current period	115,129	275,674	(160,545)	(58.24%)
Basic earnings per share (NT dollar)	1.67	1.26	0.41	32.54%

## 2. Budget implementation

The company did not unveil the financial forecast for 2021. As for the implementation of individual budgets in 2021, the operating revenue reached 93.77% of the budget amount of NT 2,225,663 thousand dollars; the net operating profit reached 104.22% of the budget objective; the net profit of the current period reached 96.08% of the budget objective. The achievement rate of the budget objective in 2021 failed to meet the target due to factors such as the impact caused by the pandemic, the lack of containers and the clogged ports in the global supply chain, etc.

## 3. Financial revenue and expenditure and profitability:

Unit: NT \$1000

Item		2021 Individual financial reports	2021 Consolidated financial reports
Cash flow	Net cash inflow (outflow) from operating activities	274,879	295,299
	Net cash inflow (outflow) from investing activities	(64,872)	(131,518)
	Net cash inflow (outflow) from financing activities	(204,852)	(204,852)
Financial structure (%)	Ratio of liabilities to assets (%)	44.39	44.76
	Ratio of long-term funds to real property, plants, and equipment (%)	146.60	141.16
Solvency (%)	Current ratio (%)	129.19	142.24
	Quick ratio (%)	75.10	85.17

Item		2021 Individual financial reports	2021 Consolidated financial reports
Profitability (%)	Return on assets (%)	4.60	4.57
	Return on equity (%)	7.84	7.84
	Ratio of net profit before-tax to paid-in capital (%)	20.51	21.87
	Profit margin (%)	7.15	6.68
	Basic earnings per share (NT dollar)	1.67	1.67

#### 4. Research and development

When it comes to research and development, the company kept on investing in the development of new products last year, devoting to the development of hydrogen storage materials, 2U3KW immersed dielectric liquid cooling standard tank, IGBT and vapor chamber for mobile devices, Hot Box development for electrolytic aquatic hydrogen and other relevant research. The company got the patent of the variable voltage device of expandable module in 2021, as well as AS9100 aviation certification in March 2022. The heat exchanger also got the new model pressure vessel certification in PED and UL in 2021. The research and development results of heat exchangers include the development of B050/B110 module in response to natural refrigerant and environmental-friendly refrigerant, which can effectively reduce the filling amount of refrigerant, reducing the utility of greenhouse gases, improving the system COP and decreasing the carbon footprint. In the field of air drying, the company is also a pioneer, launching the A300 heat exchanger for high-power chilled air dryer globally, so that mass production can be started in the Q2 of 2022. This product can effectively improve the competitiveness of the heat exchanger product market.

This year, the company will keep on investing in the research and development of energy-saving and green energy products, targeting the market demand. The heat exchanger business department will develop Double Wall Heat Exchanger D205/D206 products in the heat pump field in response to the demand of North American markets, and participate in the heat pump markets for commercial and industrial applications of large-sized products to create new business opportunities. The Thermal Energy Department regards the cloud data center as the protagonist and keeps on putting forward solutions of liquid cooling system for the servers' heat cooling. As for hydrogen energy, the focus of R & D is the development of methanol reorganization hydrogen production

and the second generation of waste organic solvent thermal cracking hydrogen production equipment. We anticipate that the development of new products can create more lucrative revenue and profits for the company.

## 5. Summary of 2022 annual business plan

### (1) Management policy

- A. For implementing sustainable development, our company has the best policies such as enhancing the capability of manufacturing process and product design, actively developing new products or technologies in response to the demand for capacity of new products, and keeping on investing in R & D.
- B. Develop corresponding products regarding the applications of special industries, grab the niche market, actively strive for the cooperation with large foreign equipment manufacturers and large agencies, and expand distribution points and sales market. Spare no effort to increase the sales in the markets at home and abroad, enhance the market share, expand sales channels through alliances with dealers, actively improve online sales, and establish and enhance brand awareness.

### (2) Expected sales quantity and its basis

The expected sales budget of the company is based on the existing orders according to customer demand, as well as market analysis status and the plan reports of overall situation of operation, production, and sales. We hope that the overall operation situation of the company in 2022 will remain stable.

### (3) Crucial production and marketing policies

- 1. Improve product quality, and continuously expand production base locations and manufacturing equipment.
- 2. Actively expand the markets at home and abroad, seek OEM opportunities from large international manufacturers, and keep on enhancing the production and marketing abilities of overseas subsidiaries.

## 6. The company's development strategy for the future

To achieve the goal of operation growth, the company puts emphasis on making the capacity and efficiency of overall equipment meet the needs of future shipment growth. For the company, the major key points in the future are mainly focusing on business expansion of heat exchanger products, liquid cooling module in servers, and hydrogen energy product. In response to the capacity demand in the future, the company additionally built plants in Benjhou Industry Park, Kaohsiung in 2021, and began to furnish the new plant and R & D Laboratory at Ziqiang 4th Rd., Zhongli Dist. (Jhongli

Industrial Park) in Q4 of the same year.

The Heat Exchanger Department will put its focus of promotion on the application and development of low-carbon and environment-friendly natural refrigerants such as CO<sub>2</sub>, R290, R32 and HFO. As the era of hydrogen energy is around the corner, electrolytic hydrogen production plants and hydrogen fuel cell vehicles require high-pressure nickel welded heat exchangers. In the future, we intend to plan and organize the research and development of relevant solder, aiming at promoting the development of clean energy in the aspects of low-carbon and zero-carbon transformation. In addition to the two types of mainstay--fuel cell and plate heat exchanger, the company will also lay its foundation in the future based on the core technology of hydrogen and heat energy, to combine with the existing metal processing skills, striding forward to the fields such as waste hydrogen purification equipment development of hydrogen furnace, 20U100kw immersed dielectric liquid cooling standard tank and 4U80kw cabinet water-cooling standard CDU product development, electric vehicle IGBT, and various heat dissipation, so as to create the next opportunity for large growth of KAORI.

7. The impact caused by external competitive environment, regulatory environment, and overall business environment

In response to global warming and energy depletion, all governments around the world spare no effort to focus on energy preservation and carbon reduction as well as maintaining the ecological environment. During recent years, seeking new energy has become one of the major policies among developed countries. Hydrogen energy and fuel cells have great development advantages. Countries around the world are actively formulating relevant policies to promote the development of fuel cell industry. The USA energy industry also benefits from the Investment Tax Credit (ITC). According to news reports, the Biden Administration in USA has made a suggestion to the Congress that this policy should be extended for another 10 years, to encourage taxpayers to build renewable energy power generation equipment, e.g. solar energy, fuel cell, and wind power generation equipment, which will be helpful for supporting the market situation of the energy industry. As for the prospects for the company's business operation in the three years to come, Bloom Energy has received a big order from Korean SK Group, which is bound to enhance the pull-in momentum for the parts and components of the company's fuel cell mechanism. It is expected that the annual growth rate of fuel cell output value in 2022 will increase, compared with that in 2021.

With the spirit of the "Promotion Coordination Meeting on Fuel Cell Research, Development and Application" from the Science and Technology Advisory Group of

Executive Yuan since July 6, 2001, the "Taiwan Hydrogen and Fuel Cell Partnership (THFCP)" was officially established in July 2002 in order to promote the development of Taiwan's fuel cell industry; it combines the efforts from the industries, the governments, the academia, and the research societies, thanks to the support from the Environmental Protection Administration of the Executive Yuan and the Bureau of Energy of the Ministry of Economic Affairs. People regards it as an open alliance for promoting the applications of the fuel cell technology and industry in Taiwan. KAORI has joined the alliance for many years. Looking forward to the future, KAORI hopes to further promote international exchanges and cooperation for establishing a new life for Taiwan's fuel cell industry, in addition to continuing promoting the development of fuel cells.

The company is closely correlated with political and economic laws and regulations, policy trends, external environment, overall business surroundings, and business cycles. Currently, no major impact and influence have occurred yet. However, COVID-19 and the Russian-Ukrainian war have resulted in great uncertainty. The global economy is facing several risks and challenges, such as geopolitical tension, inflation, skyrocketing material prices and clogged ports. The growth momentum may be foreseen to slow down in the future. Whether these risk issues can be effectively controlled will have an intimate connection with the supply chain in the industry.

As for legal issues, the company hires Lawyer Tian-Jen Hsieh, the former chairman of the Consumers' Foundation, as the legal adviser to serve as an important consultation source for future legal changes and reduce the operational risks thereof.

Since its establishment, KAORI has relied on its most premium core technology, abundant experiences, and excellent management in response to the changes in external competitive environment. In the future, all partners of the company will still hold to the business philosophy of "Innovation, Quality, Responsibility and Honor", endeavor to achieve every business objective of the company and maintain stable growth of the company, so that we will never let shareholders down.

Wish all shareholders

Good health and happiness.

Chairman    HAN HSIEN SON

President    WU CHIH HSYONG

Accounting Supervisor    WANG HSIN WU

## **KAORI HEAT TREATMENT CO., LTD**

### **Audit Committee's Review Reports**

The board of directors is permitted hereby to submit the company's annual business reports, individual financial reports, consolidated financial reports and profit distribution proposal of 2021. The individual financial reports and consolidated financial reports have been jointly audited by two accountants, Chen Wen Xiang and Liu Shu Lin of Deloitte & Touche Firm, who were entrusted by the board of directors and who issued an audit report thereof.

The above-mentioned statements and reports prepared and submitted by the board of directors have been verified by the Audit Committee and are deemed complete. Therefore, a report is prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Please review these reports.

To

KAORI HEAT TREATMENT CO., LTD  
2022 Annual General Shareholders' Meeting

Audit Committee

Member: CHEN FAN SHIONG

Member: HONG HSIANG WEN

Member: WU CHUN YING

March 25, 2022



**KAORI HEAT TREATMENT CO., LTD****2021 Disposition of Net Surplus**

Unit: NT dollar

Item	Amounts
Undistributed surplus at the beginning of the period	61,231,882
Remeasurements of the net defined benefit liability recognized as the retained surplus	(531,797)
Undistributed surplus at the beginning of the adjustment period	60,700,085
Add: 2021 net profit after-tax	149,156,147
Deduct: Set aside legal reserve	14,862,435
Distributable surplus in the current period	194,993,797
Deduct: Cash dividends for shareholder (NT\$1.5 per share in cash) [Note 1, 2]	134,076,120
Undistributed surplus at the end of the period	60,917,677
Note: 1. The distribution of shareholders' cash dividends is mainly based on the de facto distribution of the number of outstanding shares on the ex-dividend date. 2. The amounts of this surplus distribution are prioritized mainly based on the annual surplus of 2021.	

Chairman HAN HSIEN SON

President WU CHIH HSYONG

Accounting Supervisor WANG HSIN WU

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Kaori Heat Treatment Co., Ltd.

### Opinion

We have audited the accompanying financial statements of Kaori Heat Treatment 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 (collectively referred to as the "financial statements").

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.

### 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 Company's financial statements for the year ended December 31, 2021 is stated as follows:

Revenue is derived from the export of thermal products, mainly through overseas warehouse. Revenue is recognized mainly based on the inventory reports and contracts provided by the warehouse.

In 2021, the sales revenue from the overseas warehouse was \$416,541 thousand, 20% of total revenue; therefore, we considered the occurrence of revenue derived from the overseas warehouse as a key audit matter.

The key audit procedures that we performed in respect of sales derived from specific products included the following:

1. We tested and obtained an understanding of the appropriateness of the design and implementation of internal control system that is related to revenue recognition.
2. We selected samples from inventory details of overseas warehouse, and verified the inventory book amount to the warehouse inventory amount, along with the field observation results.
3. We sampled the 2021 sales from overseas warehouse, and verified related vouchers to test the occurrence of 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 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 the 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 Wen-Hsiang Chen and Shu-Lin Liu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 25, 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.*

# KAORI HEAT TREATMENT CO., LTD.

## BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 6 and 26)	\$ 455,205	14	\$ 448,950	13
Financial assets at fair value through profit or loss - current (Notes 7 and 26)	41,676	1	44,262	1
Notes receivable (Notes 10 and 26)	16,167	1	13,499	-
Trade receivables (Notes 10 and 26)	282,081	8	337,780	10
Trade receivables from related parties (Notes 26 and 27)	14,276	-	14,931	1
Other receivables (Notes 10 and 26)	10,943	-	84	-
Inventories (Note 11)	530,145	16	558,781	16
Other current assets	63,077	2	24,702	1
Total current assets	<u>1,413,570</u>	<u>42</u>	<u>1,442,989</u>	<u>42</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 26)	88,432	3	124,846	4
Financial assets at amortized cost - noncurrent (Note 9)	35,816	1	-	-
Investments accounted for using equity method (Note 12)	216,108	6	267,547	8
Property, plant and equipment (Notes 13 and 28)	1,565,526	46	1,564,467	45
Right-of-use assets (Note 14)	6,085	-	3,661	-
Investment properties (Notes 15 and 28)	24,424	1	25,523	1
Deferred tax assets (Note 23)	14,463	-	18,081	-
Other non-current assets	24,410	1	11,398	-
Net defined benefit assets - non-current (Notes 4 and 19)	461	-	-	-
Total non-current assets	<u>1,975,725</u>	<u>58</u>	<u>2,015,523</u>	<u>58</u>
<b>TOTAL</b>	<u>\$ 3,389,295</u>	<u>100</u>	<u>\$ 3,458,512</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term loans (Notes 16 and 26)	\$ 620,000	18	\$ 470,000	14
Short-term notes payable (Notes 16 and 26)	-	-	119,960	3
Notes payable (Note 26)	959	-	124,874	4
Trade payables (Note 26)	183,578	6	36,897	1
Other payables (Notes 17 and 26)	148,802	5	127,995	4
Current tax liabilities (Notes 4 and 23)	13,143	-	27,998	1
Lease liabilities - current (Note 14)	2,715	-	2,086	-
Current portion of long-term borrowings (Notes 16 and 26)	78,125	2	50,786	1
Other current liabilities	46,853	1	20,052	-
Total current liabilities	<u>1,094,175</u>	<u>32</u>	<u>980,648</u>	<u>28</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 16, 26 and 28)	393,827	12	500,702	14
Provisions - non-current (Note 18)	1,248	-	3,000	-
Deferred income tax liabilities (Note 23)	11,564	-	27,321	1
Lease liabilities - non-current (Note 14)	3,398	-	1,597	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	-	-	23,337	1
Guarantee deposits received	244	-	244	-
Total non-current liabilities	<u>410,281</u>	<u>12</u>	<u>556,201</u>	<u>16</u>
Total liabilities	<u>1,504,456</u>	<u>44</u>	<u>1,536,849</u>	<u>44</u>
<b>EQUITY (Note 20)</b>				
Share capital				
Ordinary shares	893,841	27	893,841	26
Capital surplus	593,414	18	593,414	17
Retained earnings				
Legal reserve	175,303	5	158,653	4
Special reserve	-	-	63,254	2
Unappropriated earnings	209,856	6	166,581	5
Total retained earnings	385,159	11	388,488	11
Other equity				
Unrealized gain on financial assets at fair value through other comprehensive income	9,896	-	40,538	2
Exchange differences on translating the financial statements of foreign operations	2,529	-	5,382	-
Total other equity	12,425	-	45,920	2
Total equity	<u>1,884,839</u>	<u>56</u>	<u>1,921,663</u>	<u>56</u>
<b>TOTAL</b>	<u>\$ 3,389,295</u>	<u>100</u>	<u>\$ 3,458,512</u>	<u>100</u>

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

# KAORI HEAT TREATMENT 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	%
REVENUE (Notes 4, 21 and 27)	\$ 2,087,001	100	\$ 1,994,993	100
COST OF GOODS SOLD (Notes 11, 22 and 27)	<u>1,570,171</u>	<u>75</u>	<u>1,502,059</u>	<u>75</u>
GROSS PROFIT	516,830	25	492,934	25
UNREALIZED GAIN ON ASSOCIATES/ AND JOINT VENTURES	(2,549)	-	(3,882)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES/ AND JOINT VENTURES	<u>3,882</u>	<u>-</u>	<u>3,922</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>518,163</u>	<u>25</u>	<u>492,974</u>	<u>25</u>
OPERATING EXPENSES (Notes 19 and 22)				
Selling and marketing expenses	99,568	5	90,556	5
General and administrative expenses	165,519	8	165,131	8
Research and development expenses	68,481	3	77,051	4
Expected credit loss (reversal)	<u>(777)</u>	<u>-</u>	<u>667</u>	<u>-</u>
Total operating expenses	<u>332,791</u>	<u>16</u>	<u>333,405</u>	<u>17</u>
PROFIT FROM OPERATIONS	<u>185,372</u>	<u>9</u>	<u>159,569</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES (Note 22)				
Interest income	520	-	1,368	-
Other income	4,983	-	10,259	-
Other gains and losses	(33,749)	(2)	(23,049)	(1)
Finance costs	(10,330)	-	(8,706)	-
Share of profit of subsidiaries	<u>36,564</u>	<u>2</u>	<u>10,984</u>	<u>1</u>
Total non-operating income and expenses	<u>(2,012)</u>	<u>-</u>	<u>(9,144)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	183,360	9	150,425	8
INCOME TAX EXPENSE (Notes 4 and 23)	<u>34,204</u>	<u>2</u>	<u>37,901</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>149,156</u>	<u>7</u>	<u>112,524</u>	<u>6</u>

(Continued)

# KAORI HEAT TREATMENT 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	%
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (665)	-	\$ (5,723)	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(36,414)	(2)	189,355	9
Income tax related to items that will not be reclassified subsequently to profit or loss	5,905	1	(25,065)	(1)
	<u>(31,174)</u>	<u>(1)</u>	<u>158,567</u>	<u>8</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(2,853)</u>	<u>-</u>	<u>4,583</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(34,027)</u>	<u>(1)</u>	<u>163,150</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 115,129</u>	<u>6</u>	<u>\$ 275,674</u>	<u>14</u>
EARNINGS PER SHARE (Note 24)				
From continuing operations				
Basic	<u>\$ 1.67</u>		<u>\$ 1.26</u>	
Diluted	<u>\$ 1.67</u>		<u>\$ 1.26</u>	

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

(Concluded)



**KAORI HEAT TREATMENT CO., LTD.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

	Shares (In Thousands)	Share Capital	Capital Surplus	Retained Earnings			Others		Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on Translating the Financial Statements of Foreign Exchange	
BALANCE AT JANUARY 1, 2020	89,384	\$ 893,841	\$ 631,849	\$ 142,839	\$ 60,733	\$ 158,749	\$ (64,053)	\$ 799	\$ 1,824,757
Appropriation of 2019 earnings									
Legal reserve	-	-	-	15,814	-	(15,814)	-	-	-
Special reserve	-	-	-	-	2,521	(2,521)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(140,333)	-	-	(140,333)
Other changes in capital surplus									
Cash distribution from additional paid-in capital	-	-	(38,435)	-	-	-	-	-	(38,435)
Net profit for the year ended December 31, 2020	-	-	-	-	-	112,524	-	-	112,524
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(4,578)	163,145	4,583	163,150
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	107,946	163,145	4,583	275,674
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	58,554	(58,554)	-	-
BALANCE AT DECEMBER 31, 2020	89,384	893,841	593,414	158,653	63,254	166,581	40,538	5,382	1,921,663
Appropriation of 2020 earnings									
Legal reserve	-	-	-	16,650	-	(16,650)	-	-	-
Special reserve	-	-	-	-	(63,254)	63,254	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(151,953)	-	-	(151,953)
Net profit for the year ended December 31, 2021	-	-	-	-	-	149,156	-	-	149,156
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(532)	(30,642)	(2,853)	(34,027)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	148,624	(30,642)	(2,853)	115,129
BALANCE AT DECEMBER 31, 2021	<u>89,384</u>	<u>\$ 893,841</u>	<u>\$ 593,414</u>	<u>\$ 175,303</u>	<u>\$ -</u>	<u>\$ 209,856</u>	<u>\$ 9,896</u>	<u>\$ 2,529</u>	<u>\$ 1,884,839</u>

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

# KAORI HEAT TREATMENT CO., LTD.

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

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 183,360	\$ 150,425
Adjustments for:		
Depreciation expense	102,101	103,854
Amortization expense	4,161	4,874
Expected credit loss (reversal)	(777)	667
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	(1,000)	(5,042)
Finance costs	10,330	8,706
Interest income	(520)	(1,368)
Share of gain of subsidiaries	(36,564)	(10,984)
(Gain) loss on disposal of property, plant and equipment	(76)	708
Write-down of inventories	3,734	9,360
Unrealized gain on the transactions with subsidiaries	2,549	3,882
Realized gain on the transactions with subsidiaries	(3,882)	(3,922)
Gain on lease modification	(7)	-
Changes in operating assets and liabilities:		
Financial assets mandatorily classified as at fair value through profit or loss	2,486	(27,454)
Notes receivable	(2,681)	313
Trade receivables	56,489	(87,849)
Trade receivables from related parties	655	(5,245)
Other receivables	(10,859)	45
Inventories	24,902	(56,963)
Other current assets	(38,375)	(2,374)
Net defined benefit assets	(461)	-
Notes payable	(123,915)	20,283
Trade payables	146,681	7,664
Trade payables to related parties	-	(96)
Other payables	21,014	(24,498)
Provisions	(1,752)	-
Other current liabilities	26,801	1,112
Defined benefit liabilities - non-current	(24,002)	3,306
Cash generated from operations	340,392	89,404
Interest paid	(10,220)	(8,613)
Income tax paid	(55,293)	(38,246)
Net cash generated from operating activities	<u>274,879</u>	<u>42,545</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	-	(32,949)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	173,021
Acquisition of financial assets at amortized cost	(35,816)	-

(Continued)

# KAORI HEAT TREATMENT CO., LTD.

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

	2021	2020
Payments for property, plant and equipment	\$ (97,863)	\$ (581,727)
Proceeds from disposal of property, plant and equipment	420	2,150
Dividends received from subsidiaries	86,483	-
Increase in other non-current assets	(18,616)	(2,892)
Interest received	<u>520</u>	<u>1,368</u>
Net cash used in investing activities	<u>(64,872)</u>	<u>(441,029)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	150,000	140,000
(Decrease) increase in short-term notes payable	(120,277)	99,756
Proceeds from long-term borrowings	-	446,700
Repayments of long-term borrowings	(79,536)	(111,075)
Repayment of the principal portion of lease liabilities	(3,086)	(3,809)
Dividends paid to owners of the Company	<u>(151,953)</u>	<u>(178,768)</u>
Net cash (used in) generated from financing activities	<u>(204,852)</u>	<u>392,804</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>1,100</u>	<u>2,094</u>
NET INCREASE (INCREASE) IN CASH AND CASH EQUIVALENTS	6,255	(3,586)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>448,950</u>	<u>452,536</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 455,205</u>	<u>\$ 448,950</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 Standards 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 do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

KAORI HEAT TREATMENT CO., LTD.

By

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HSIEN-SOU, HAN  
Chairman

March 25, 2022

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Kaori Heat Treatment Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of Kaori Heat Treatment Co., Ltd. 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 Group's consolidated financial statements for the year ended December 31, 2021 is stated as follows:

Revenue of the Group is derived from the export of thermal products, mainly through overseas warehouse. Revenue is recognized mainly based on the inventory reports and contracts provided by the warehouse.

In 2021, the sales revenue from overseas warehouse was \$416,541 thousand, 19% of total revenue; therefore, we considered the occurrence of revenue derived from overseas warehouse as a key audit matter.

The key audit procedures that we performed in respect of revenue derived from specific products included the following:

1. We tested and obtained an understanding of the appropriateness of the design and implementation of internal control system that is related to revenue recognition.
2. We selected samples from inventory details of overseas warehouse, and verified the inventory book amount to the warehouse inventory amount, along with the field observation results.
3. We sampled the 2021 sales from overseas warehouse, and verified related vouchers to test the occurrence of sales revenue.

#### **Other Matter**

We have audited the separate financial statements of Kaori Heat Treatment 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 audit resulting in this independent auditors' report are Wen-Hsiang Chen and Shu-lin Liu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 25, 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.*



# KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

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

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 6 and 26)	\$ 498,574	15	\$ 540,562	16
Financial assets at fair value through profit or loss - current (Notes 7 and 26)	41,676	1	44,262	1
Financial assets at amortized cost - current (Notes 9 and 26)	47,784	1	43,770	1
Notes receivable (Notes 10 and 26)	16,167	1	13,499	-
Trade receivables (Notes 10 and 26)	334,955	10	366,398	11
Other receivables (Notes 10 and 26)	10,943	-	128	-
Inventories (Note 11)	575,506	17	599,435	17
Other current assets	<u>63,449</u>	<u>2</u>	<u>26,528</u>	<u>1</u>
Total current assets	<u>1,589,054</u>	<u>47</u>	<u>1,634,582</u>	<u>47</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 26)	88,432	2	124,846	4
Financial assets at amortized cost - non-current (Notes 7 and 26)	35,816	1	26,262	1
Property, plant and equipment (Notes 13 and 28)	1,625,843	48	1,628,734	47
Right-of-use assets (Note 14)	8,114	-	5,792	-
Investment properties (Notes 15 and 28)	24,424	1	25,523	1
Deferred tax assets (Notes 4 and 23)	14,463	-	18,081	-
Other non-current assets	25,648	1	11,464	-
Net defined benefit assets - non-current (Notes 4 and 19)	<u>461</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-current assets	<u>1,823,201</u>	<u>53</u>	<u>1,840,702</u>	<u>53</u>
<b>TOTAL</b>	<u>\$ 3,412,255</u>	<u>100</u>	<u>\$ 3,475,284</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term loans (Notes 16, 26 and 28)	\$ 620,000	18	\$ 470,000	14
Short-term notes payable (Notes 16 and 26)	-	-	119,960	3
Notes payable (Note 26)	959	-	124,874	4
Trade payables (Note 26)	190,308	6	41,606	1
Other payables (Notes 17 and 26)	154,057	4	132,850	4
Current tax liabilities (Notes 4 and 23)	18,058	1	29,688	1
Lease liabilities - current (Note 14)	2,715	-	2,086	-
Current portion of long-term borrowings (Notes 16, 26 and 28)	78,125	2	50,786	1
Other current liabilities	<u>52,913</u>	<u>2</u>	<u>25,570</u>	<u>1</u>
Total current liabilities	<u>1,117,135</u>	<u>33</u>	<u>997,420</u>	<u>29</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 16, 26 and 28)	393,827	12	500,702	14
Provisions - non-current (Note 18)	1,248	-	3,000	-
Deferred income tax liabilities (Notes 4 and 23)	11,564	-	27,321	1
Lease liabilities - non-current (Note 14)	3,398	-	1,597	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	-	-	23,337	1
Guarantee deposits received	<u>244</u>	<u>-</u>	<u>244</u>	<u>-</u>
Total non-current liabilities	<u>410,281</u>	<u>12</u>	<u>556,201</u>	<u>16</u>
Total liabilities	<u>1,527,416</u>	<u>45</u>	<u>1,553,621</u>	<u>45</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)</b>				
Share capital				
Ordinary shares	<u>893,841</u>	<u>26</u>	<u>893,841</u>	<u>26</u>
Capital surplus	<u>593,414</u>	<u>18</u>	<u>593,414</u>	<u>17</u>
Retained earnings				
Legal reserve	175,303	5	158,653	4
Special reserve	-	-	63,254	2
Unappropriated earnings	<u>209,856</u>	<u>6</u>	<u>166,581</u>	<u>5</u>
Total retained earnings	<u>385,159</u>	<u>11</u>	<u>388,488</u>	<u>11</u>
Other equity				
Unrealized gain on financial assets at fair value through other comprehensive income	9,896	-	40,538	1
Exchange differences on translating the financial statements of foreign operations	<u>2,529</u>	<u>-</u>	<u>5,382</u>	<u>-</u>
Total other equity	<u>12,425</u>	<u>-</u>	<u>45,920</u>	<u>1</u>
Total equity	<u>1,884,839</u>	<u>55</u>	<u>1,921,663</u>	<u>55</u>
<b>Total</b>	<u>\$ 3,412,255</u>	<u>100</u>	<u>\$ 3,475,284</u>	<u>100</u>

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

# KAORI HEAT TREATMENT 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	%
REVENUE (Notes 4 and 21)	\$ 2,231,273	100	\$ 2,076,359	100
COST OF GOODS SOLD (Notes 11 and 22)	<u>1,637,670</u>	<u>74</u>	<u>1,547,977</u>	<u>75</u>
GROSS PROFIT	<u>593,603</u>	<u>26</u>	<u>528,382</u>	<u>25</u>
OPERATING EXPENSES (Note 22)				
Selling and marketing expenses	111,261	5	99,571	5
General and administrative expenses	184,580	8	180,728	8
Research and development expenses	68,481	3	77,051	4
Expected credit loss (reversal)	<u>(1,074)</u>	<u>-</u>	<u>753</u>	<u>-</u>
Total operating expenses	<u>363,248</u>	<u>16</u>	<u>358,103</u>	<u>17</u>
PROFIT FROM OPERATIONS	<u>230,355</u>	<u>10</u>	<u>170,279</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES (Note 22)				
Interest income	2,574	-	3,338	-
Other income	6,192	-	12,721	1
Other gains and losses	(33,271)	(1)	(22,961)	(1)
Finance costs	<u>(10,330)</u>	<u>-</u>	<u>(8,706)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(34,835)</u>	<u>(1)</u>	<u>(15,608)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	195,520	9	154,671	7
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(46,364)</u>	<u>(2)</u>	<u>(42,147)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>149,156</u>	<u>7</u>	<u>112,524</u>	<u>5</u>
OTHER COMPREHENSIVE (LOSS) INCOME				
Item that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(665)	-	(5,723)	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(36,414)	(2)	189,355	9
Income tax related to items that will not be reclassified subsequently to profit or loss	5,905	-	(25,065)	(1)

(Continued)

# KAORI HEAT TREATMENT 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	%
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (2,853)	-	\$ 4,583	-
Other comprehensive income (loss) for the year, net of income tax	(34,027)	(2)	163,150	8
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 115,129</u>	<u>5</u>	<u>\$ 275,674</u>	<u>13</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 149,156	7	\$ 112,524	5
Non-controlling interests	-	-	-	-
	<u>\$ 149,156</u>	<u>7</u>	<u>\$ 112,524</u>	<u>5</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 115,129	5	\$ 275,674	13
Non-controlling interests	-	-	-	-
	<u>\$ 115,129</u>	<u>5</u>	<u>\$ 275,674</u>	<u>13</u>
<b>EARNINGS PER SHARE (Note 24)</b>				
From continuing operations				
Basic	<u>\$ 1.67</u>		<u>\$ 1.26</u>	
Diluted	<u>\$ 1.67</u>		<u>\$ 1.26</u>	

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

**KAORI HEAT TREATMENT 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)**

	Equity Attributable to Owners of the Company						Others		Total Equity
	Shares (In Thousands)	Share Capital	Capital Surplus	Retained Earnings			Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange  Differences on Translating the Financial Statements of Foreign Exchange	
				Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2020	89,384	\$ 893,841	\$ 631,849	\$ 142,839	\$ 60,733	\$ 158,749	\$ (64,053)	\$ 799	\$ 1,824,757
Appropriation of 2019 earnings									
Legal reserve	-	-	-	15,814	-	(15,814)	-	-	-
Special reserve	-	-	-	-	2,521	(2,521)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(140,333)	-	-	(140,333)
Cash distribution from additional paid-in capital	-	-	(38,435)	-	-	-	-	-	(38,435)
Net profit for the year ended December 31, 2020	-	-	-	-	-	112,524	-	-	112,524
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(4,578)	163,145	4,583	163,150
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	107,946	163,145	4,583	275,674
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	58,554	(58,554)	-	-
BALANCE AT DECEMBER 31, 2020	89,384	893,841	593,414	158,653	63,254	166,581	40,538	5,382	1,921,663
Appropriation of 2020 earnings									
Legal reserve	-	-	-	16,650	-	(16,650)	-	-	-
Special reserve	-	-	-	-	(63,254)	63,254	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(151,953)	-	-	(151,953)
Net profit for the year ended December 31, 2021	-	-	-	-	-	149,156	-	-	149,156
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(532)	(30,642)	(2,853)	(34,027)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	148,624	(30,642)	(2,853)	115,129
BALANCE AT DECEMBER 31, 2021	<u>89,384</u>	<u>\$ 893,841</u>	<u>\$ 593,414</u>	<u>\$ 175,303</u>	<u>\$ -</u>	<u>\$ 209,856</u>	<u>\$ 9,896</u>	<u>\$ 2,529</u>	<u>\$ 1,884,839</u>

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

# KAORI HEAT TREATMENT 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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 195,520	\$ 154,671
Adjustments for:		
Depreciation expense	108,300	110,207
Amortization expense	4,333	4,874
Expected credit loss (reversal)	(1,074)	753
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	(1,000)	(5,042)
Finance costs	10,330	8,706
Interest income	(2,574)	(3,338)
Loss on disposal of property, plant and equipment	33	930
Write-down of inventories	3,734	10,306
Gain on lease modification	(7)	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	2,486	(27,454)
Notes receivable	(2,681)	313
Trade receivables	32,547	(93,886)
Other receivables	(10,815)	44
Inventories	20,195	(60,034)
Other current assets	(36,921)	(2,852)
Net defined benefit assets	(461)	-
Notes payable	(123,915)	20,283
Trade payables	148,702	6,962
Other payables	21,414	(24,586)
Provisions	(1,752)	-
Other current liabilities	27,343	4,349
Net defined benefit liabilities	<u>(24,002)</u>	<u>3,306</u>
Cash generated from operations	369,735	108,512
Interest paid	(10,220)	(8,613)
Income tax paid	<u>(64,216)</u>	<u>(41,491)</u>
Net cash generated from operating activities	<u>295,299</u>	<u>58,408</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	-	(32,949)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	173,021
Acquisition of financial assets at amortized cost	(13,931)	(1,152)
Payments for property, plant and equipment	(100,621)	(583,622)
Proceeds from disposal of property, plant and equipment	420	2,193
Increase in other non-current assets	(19,960)	(2,893)
Interest received	<u>2,574</u>	<u>3,338</u>
Net cash used in investing activities	<u>(131,518)</u>	<u>(442,064)</u>

(Continued)

# KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

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

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	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 150,000	\$ 140,000
(Decrease) increase in short-term notes payable	(120,277)	99,756
Proceeds from long-term borrowings	-	446,700
Repayments of long-term borrowings	(79,536)	(111,075)
Repayment of the principal portion of lease liabilities	(3,086)	(3,809)
Dividends paid to owners of the Company	<u>(151,953)</u>	<u>(178,768)</u>
Net cash (used in) generated from financing activities	<u>(204,852)</u>	<u>392,804</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(917)</u>	<u>5,604</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(41,988)	14,752
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>540,562</u>	<u>525,810</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 498,574</u>	<u>\$ 540,562</u>

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

## Comparison of amendments to the Articles of Incorporation

Article No.	Amended provisions	Provisions before amendment	Reason for amendment
Article 9	<p>Shareholders' meeting shall be of two kinds: Regular Meeting of Shareholders, and Special Meeting of Shareholders. Regular Meeting of Shareholders shall be convened once every year within six months after the close of each fiscal year. Special Meeting of Shareholders shall be convened according to the laws when necessary. A notice to convene a Regular Meeting of Shareholders shall be given to each shareholder no later than 30 days prior to the scheduled meeting date. A notice to convene a Special Meeting of Shareholders shall be given to each shareholder no later than 15 days prior to the scheduled meeting date.</p> <p><u>The shareholders' meeting can be held by means of video conference or other methods promulgated by the competent authority upon the resolution adopted by the board of directors. The operating procedures and other matters to be followed shall be handled in accordance with the provisions stipulated by the competent authority.</u></p>	<p>Shareholders' meeting shall be of two kinds: Regular Meeting of Shareholders, and Special Meeting of Shareholders. Regular Meeting of Shareholders shall be convened once every year within six months after the close of each fiscal year. Special Meeting of Shareholders shall be convened according to the laws when necessary. A notice to convene a Regular Meeting of Shareholders shall be given to each shareholder no later than 30 days prior to the scheduled meeting date. A notice to convene a Special Meeting of Shareholders shall be given to each shareholder no later than 15 days prior to the scheduled meeting date.</p>	To be in line with the amendment to Article 172-2 of the Company Act.
Article 29	<p>.....</p> <p>In accordance with Paragraph 5 of Article 240 of the Company Act, the company can authorize the distributable dividends and bonuses to 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; or according to</p>	<p>.....</p> <p>In accordance with Paragraph 5 of Article 240 of the Company Act, the company can authorize the distributable dividends and bonuses to 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; or according to</p>	To be in line with the provisions of the FSC regarding how to set aside/reverse special reserve.

Article No.	Amended provisions	Provisions before amendment	Reason for amendment
	<p>Paragraph 1 of Article 241 of the Company Act, the company can distribute its legal reserve and capital reserve by cash, in whole or in part. Such distribution shall be submitted to the shareholders' meeting. <u>When the company sets aside special reserve according to the laws, as for the insufficient amount in "the cumulative net amount of other deductions from equity in a preceding period(s)", an amount of special reserve should be set aside prior to the distribution of surplus, and such an amount should be equal to the amount allocated to the undistributed surplus for the preceding period. If there is still any insufficiency, set aside it from the amount of the after-tax net profit for that period, plus the items other than after-tax net profit for that period, which are included in the undistributed surplus of the period.</u></p>	<p>Paragraph 1 of Article 241 of the Company Act, the company can distribute its legal reserve and capital reserve by cash, in whole or in part. Such distribution shall be submitted to the shareholders' meeting.</p>	
Article 33	<p>The Articles of Incorporation was enacted on October 12, 1970. .... The 33rd amendment was made on June 23, 2017. The 34th amendment was made on June 20, 2019. The 35th amendment was made on June 17, 2020. <u>The 36th amendment was made on June 16, 2022.</u></p>	<p>The Articles of Incorporation was enacted on October 12, 1970. .... The 33rd amendment was made on June 23, 2017. The 34th amendment was made on June 20, 2019. The 35th amendment was made on June 17, 2020.</p>	<p>To add the amendment date and amendment frequency.</p>



## Comparison of amendments to the Rules of Procedure for Shareholders' Meetings

Article No.	Amended provisions	Provisions before amendment	Reason for amendment
Article 2	<p><u>The shareholders' meeting can be held by means of video conference or other methods promulgated by the competent authority upon the resolution adopted by the board of directors. The operating procedures and other matters to be followed shall be handled in accordance with the provisions stipulated by the competent authority.</u></p> <p><u>When a shareholders' meeting is convened by video conference, shareholders who want to attend the meeting online shall register their names in the company two days prior to the meeting date.</u></p> <p><u>When a shareholders' meeting is convened by video conference, the company shall upload the agenda handbook, annual reports and other relevant materials to the video conference platform at least 30 minutes prior to the commencement of the meeting; such reports and materials will continue to be disclosed until the end of the meeting.</u></p> <p><u>When convening a shareholders' meeting by video conference, the company shall specify the matters in the shareholders' meeting notice as follows:</u></p> <p><u>1. The methods for shareholders to attend the video conference and exercise their rights.</u></p> <p><u>2. When the video conference platform or the participation via video conference is disrupted due to natural disasters, accidents or other force majeure, the handling methods should include at least</u></p>	<p>Shareholders or their proxies attending the meeting shall wear their attendance cards and hand in their sign-in cards in lieu of signing in, and then calculate the stock equity accordingly</p>	<p>To be in line with the sample templates as per the provisions in the "Rules of Procedures for Shareholders' Meetings of XXX Co., Ltd" amended by the Taiwan Stock Exchange (TWSE)</p>

Article No.	Amended provisions	Provisions before amendment	Reason for amendment
	<p><u>the following matters:</u></p> <p><u>A. The date and time when the meeting is postponed or the date and time when the meeting is scheduled to resume in case that the above-mentioned disruption continues and cannot be removed</u></p> <p><u>B. Shareholders who fail to register to attend the original shareholders' meeting by video conference shall not attend the postponed or resumed meeting.</u></p> <p><u>C. When a hybrid shareholders' meetings assisted by video conference is called, if the video conference cannot be continued, after the number of shares held by the shareholders attending the meeting via video conference is deducted, if the remaining total number of shares represented at the meeting meets the minimum quorum for a shareholder meeting, the shareholders' meeting shall go on. The shares represented by the attending shareholders via video conference shall be counted in the total number of shares represented by shareholders present at the meeting, and the attending shareholders via video conference shall be deemed abstaining from voting on all proposals in the shareholders' meeting.</u></p> <p><u>D. The handling method will be taken if the results of all proposals have been declared and there is no extempore motion.</u></p> <p><u>When convening a shareholders' meeting via video conference, appropriate alternative</u></p>		

Article No.	Amended provisions	Provisions before amendment	Reason for amendment
	<p><u>measures should be specified and available to shareholders who have difficulties in attending the video conference.</u></p> <p><u>As for the shareholders' meeting convened via video conference, shareholders shall report and register their arrivals on the meeting platform 30 minutes prior to the commencement of meeting. Shareholders completing their registration will be deemed as attending the shareholders' meeting in person.</u></p> <p>Shareholders or their proxies attending the meeting shall wear their attendance cards and hand in their sign-in cards in lieu of signing in, and then calculate the stock equity accordingly.</p>		
Article 2-1	<p><u>Every time when a shareholders' meeting is held, a shareholder may designate a proxy to attend the meeting by providing a copy of power of attorney issued by the company and specify the authorization scope.</u></p> <p><u>A shareholder shall provide only one copy of power of attorney and designate only one proxy. The power of attorney shall be sent to the company within five days prior to the date of the shareholders' meeting. When more than two copies of the same power of attorney are sent, is the one that has been sent first shall prevail, unless the previous one is revoked by an application.</u></p> <p><u>After the power of attorney has been sent to the company, if the shareholder wants to attend the meeting in person or exercises voting rights in writing or electronically, a</u></p>		New in this Article

Article No.	Amended provisions	Provisions before amendment	Reason for amendment
	<p><u>written notice of revocation shall be submitted to the company two days before the date of the meeting. If the notice fails to be submitted before the deadline, votes cast at the meeting by the proxy shall prevail.</u></p> <p><u>After the power of attorney has been sent to the company, if the shareholder wants to attend the meeting via video conference, a written notice of revocation shall be submitted to the company two days before the date of the meeting. If the notice fails to be submitted before the deadline, votes cast at the meeting by the proxy shall prevail.</u></p>		
Article 3	<p><u>When the total number of shares attended by representatives and the number of shares reported on the video conference platform has reached more than half of the total issued shares, the chairman shall call meeting to order.</u></p> <p><u>On the same day of a shareholders' meeting, the company shall compile a statistical statement of the number of shares obtained by solicitors through solicitation, the number of shares represented by proxies and the number of shares represented by shareholders attending the meeting in writing or electronically in the stipulated format, and then expressly disclose them at the venue the shareholders' meeting.</u></p> <p><u>When a shareholders' meeting is convened via video conference, the company shall upload the foregoing materials to the video conference platform at least 30 minutes prior to the meeting; such reports and materials will</u></p>	<p>The chairman of the meeting shall call the meeting to order <u>as shareholders representing more than one-half of the total number of issued shares are present.</u></p>	<p>To be in line with the sample templates as per the provisions in the "Rules of Procedures for Shareholders' Meetings of XXX Co., Ltd" amended by the Taiwan Stock Exchange (TWSE).</p>

Article No.	Amended provisions	Provisions before amendment	Reason for amendment
	<p><u>continue to be disclosed until the end of the meeting.</u></p> <p><u>When the company's shareholders' meeting convened via video conference is called to order, the total number of shares represented at the meeting shall be disclosed on the video conference platform. If the total number of shares represented at the meeting and the voting rights are additionally counted during the meeting, the same manner shall apply.</u></p> <p><u>When the company convenes the shareholders' meeting via video conference, the chairman and the note taker shall be in the same location within the country, and the chairman shall announce the address of the location when the meeting is called to order.</u></p> <p><u>When convening a shareholders' meeting via video conference, the company shall provide appropriate alternative measures available to shareholders who have difficulties in attending the shareholders' meeting online.</u></p>		
Article 4	<p>.....</p> <p>Before the conclusion of the agenda arranged in the preceding two paragraphs (including extempore motions), the chairman shall not declare the adjournment of the meeting without any resolution. After the adjournment of the meeting, the shareholders shall not elect another chairman of the meeting to resume the meeting at the original or other venue. However, if the chairman violates these rules of procedures and then declares the meeting adjourned, other members of the board of directors shall</p>	<p>.....</p> <p>Before the conclusion of the agenda arranged in the preceding two paragraphs (including extempore motions), the chairman shall not declare the adjournment of the meeting without any resolution. After the adjournment of the meeting, the shareholders shall not elect another chairman of the meeting to resume the meeting at the original or other venue.</p> <p>However, if the chairman violates</p>	<p>To be in line with the sample templates as per the provisions in the "Rules of Procedures for Shareholders' Meetings of XXX</p>

Article No.	Amended provisions	Provisions before amendment	Reason for amendment
	<p>immediately help the shareholders who attend the meeting elect one person as the new chairman with the consent of more than half of the voting rights of the shareholders attending the meeting, to continue the meeting according to the statutory procedure. <u>The company shall provide the agenda handbook and additional materials regarding the shareholders' meeting to shareholders for review, by the following means on the date of the shareholders' meeting:</u></p> <p><u>1. When convening a physical shareholders' meeting, they shall be distributed on-site at the meeting.</u></p> <p><u>2. When convening a hybrid shareholders' meetings assisted by video conference, they shall be distributed on-site at the meeting and be shared on the video conference platform by means of electronic file.</u></p> <p><u>3. When convening a shareholders' meeting, electronic files shall be shared on the video conference platform.</u></p>	<p>these rules of procedures and then declares the meeting adjourned, other members of the board of directors shall immediately help the shareholders who attend the meeting elect one person as the new chairman with the consent of more than half of the voting rights of the shareholders attending the meeting, to continue the meeting according to the statutory procedure.</p>	<p>Co., Ltd" amended by the Taiwan Stock Exchange (TWSE).</p>
Article 5	<p>In addition to the proposals listed on the agenda, when it comes to other proposals proposed by shareholders or amendments/alternatives to the original proposal, the chairman of the meeting shall present the amended or alternative proposal together with the original proposal and decide the voting order. When any one of such proposals is passed, the other proposals shall be deemed as veto, and there is no need to proceed with further voting.</p> <p><u>When the shareholders' meeting is convened</u></p>	<p>In addition to the proposals listed on the agenda, when it comes to other proposals proposed by shareholders or amendments/ alternatives to the original proposal, the chairman of the meeting shall present the amended or alternative proposal together with the original proposal and decide the voting order. When any one of such proposals is passed, the other proposals shall be deemed as veto, and there is no need to</p>	<p>To be in line with the sample templates as per the provisions in the "Rules of Procedures for Shareholder s' Meetings</p>

Article No.	Amended provisions	Provisions before amendment	Reason for amendment
	<p><u>via video conference, the company shall keep records of materials such as shareholder’s registration, sign-in, check-in, questions, votes and results of votes counted by the company, and keep audio and video records of the proceedings of the meeting from the beginning to the end.</u></p> <p><u>The materials and audio and video recording referred to in the preceding paragraph shall be properly kept by the company during the period of its existence, and the audio and video recording shall be provided to the person who is entrusted with handling the matters of video conference for safekeeping.</u></p> <p><u>When the shareholders’ meeting is convened via video conference, it is advised that the company shall record the audio and video on back-end operation interface of the meeting platform.</u></p>	<p>proceed with further voting.</p>	<p>of XXX Co., Ltd" amended by the Taiwan Stock Exchange (TWSE).</p>
Article 8	<p>Except as otherwise provided in the Company Act, the voting of a proposal shall be undertaken upon the consent from more than half of the voting rights represented by the attending shareholders. When voting, for each proposal, the chairman or a person designated by the chairman shall announce the total number of voting rights represented by the attending shareholders, and then the shareholders should make decisions by voting on each proposal. On the same day when the meeting is adjourned, the results regarding the numbers of shareholders’ consent, objection and abstentions shall be</p>	<p>Except as otherwise provided in the Company Act, the voting of a proposal shall be undertaken upon the consent from more than half of the voting rights represented by the attending shareholders. When voting, for each proposal, the chairman or a person designated by the chairman shall announce the total number of voting rights represented by the attending shareholders, and then the shareholders should make decisions by voting on each proposal. On the</p>	<p>To be in line with the sample templates as per the provisions in the “Rules of Procedures for Shareholders' Meetings of XXX Co., Ltd"</p>

Article No.	Amended provisions	Provisions before amendment	Reason for amendment
	<p>entered into the Market Observation Post System ( MOPS ) at the same day</p> <p><u>When the company convenes a shareholders' meeting via video conference, after the chairman calls the meeting to order, shareholders attending the meeting online shall cast votes on proposals and elections on the video conference platform before the chairman declares the end of voting; otherwise, it is deemed abstained from voting.</u></p> <p><u>When a shareholders' meeting is convened via video conference, votes shall be counted once after the chairman declares the end of voting, and the results of votes and elections shall be announced then.</u></p> <p><u>When the company convenes a hybrid shareholders' meeting assisted by video conference, if shareholders who have registered to attend the meeting online in accordance with Article 2 want to attend the physical shareholders' meeting in person, their registration shall be revoked two days before the shareholders' meeting in the same way as they registered. If the registration is not revoked before the deadline, they may only attend the shareholders' meeting online.</u></p> <p><u>When the shareholders exercise voting rights in writing or electronically, if the expression of intent is not revoked and the shareholders' meeting is attended online, except for extempore motions, they shall not exercise voting rights on the original proposals or any amendments to the original proposals or</u></p>	<p>same day when the meeting is adjourned, the results regarding the numbers of shareholders' consent, objection and abstentions shall be entered into the Market Observation Post System ( MOPS ) at the same day.</p>	<p>amended by the Taiwan Stock Exchange (TWSE).</p>



Article No.	Amended provisions	Provisions before amendment	Reason for amendment
	<p><u>exercise voting rights on the amendments to the original proposal.</u></p> <p><u>When convening a shareholders' meeting via video conference, the company shall disclose results of votes and election immediately after the end of voting on the video conference platform according to the rules, which shall be kept disclosed at least 15 minutes after the chairman has announced the meeting adjourned.</u></p>		
Article 10	<p>As for shareholder's speech, each person (including natural person and legal person) shall finish delivering his/her speech within <u>five</u> minutes. However, such a timeframe may be extended once if the chairman agrees. On the same proposal, each person (including natural person and legal person) shall not deliver his/her speech more than twice. <u>When convening a shareholders' meeting via video conference, shareholders attending the meeting online may raise questions in writing at the video conference platform from the chairman calling the meeting to order until the chairman declaring the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall be limited in 200 words.</u></p> <p><u>If the questions referred to in the preceding paragraph are not raised in violation of the rules or beyond the scope of a proposal, it is suggested that questions be disclosed to the public at the video conference platform.</u></p>	<p>As for shareholder's speech, each person (<u>including natural person and legal person</u>) shall finish delivering his/her speech within <u>three</u> minutes. However, such a timeframe may be extended once if the chairman agrees. On the same proposal, each person (including natural person and legal person) shall not deliver his/her speech more than twice.</p>	<p>To be in line with the sample templates as per the provisions in the "Rules of Procedures for Shareholders' Meetings of XXX Co., Ltd" amended by the Taiwan Stock Exchange (TWSE).</p>
Article	<u>Matters relating to the resolutions of a</u>		New Article

Article No.	Amended provisions	Provisions before amendment	Reason for amendment
13-1	<p><u>shareholders' meeting shall be recorded in the minutes of the meeting, which shall be signed or sealed by the chairman of the meeting and then distributed to each shareholder within 20 days after the close of the meeting. The minutes may be recorded and distributed electronically.</u></p> <p><u>The company may distribute the minutes referred to in the preceding paragraph by a public announcement and entered them into the MOPS.</u></p> <p><u>The minutes shall precisely record the year, month, day, and location of the meeting, the chairman's name, the methods of adopting the resolutions, and a summary of the essential points of the proceeding and their voting results (including the number of voting rights) and disclose the number of voting rights won by each candidate if there is an election of directors or supervisors. The minutes shall be kept permanently for the period of the existence of the company.</u></p> <p><u>When convening a shareholders' meeting via video conference, in addition to those which shall be recorded in the minutes as stipulated in the preceding paragraph, the time when the meeting is called to order and adjourned, how the meeting is convened, the chairman's and note taker's name, and measures to be taken when the video conference platform or participation in the meeting online is interrupted due to natural disasters, accidents or other majeure force, and handling measures shall also be included in the</u></p>		

Article No.	Amended provisions	Provisions before amendment	Reason for amendment
	<p><u>minutes.</u></p> <p><u>When convening a shareholders' meeting via video conference, in addition to handling according to the preceding paragraph, the company shall specify in the minutes regarding the alternative measures available to shareholders who have difficulties in attending a shareholders' meeting online</u></p>		
Article 13 -2	<p><u>When convening a shareholders' meeting via video conference, the company may offer a simple connection test to shareholders prior to the meeting, and then provide relevant real-time services before and during the meeting to help resolve communication technical issues.</u></p> <p><u>When convening a shareholders' meeting via video conference, once the meeting to order is called, the chairman shall also declare the accidents or other majeure force before the chairman has announced the meeting adjourned, if the video conference platform or participation in the meeting on line is disrupted due to natural disasters, unless under a circumstance where a meeting is not required to be postponed to or resumed at another time under Article 44-20, paragraph 4 of the Regulations Governing the Administration of Shareholder Services of Public Companies. If the disruption continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date within five days, and Article 182 of the Company Act shall not apply.</u></p> <p><u>When a meeting shall be postponed or</u></p>		New Article

Article No.	Amended provisions	Provisions before amendment	Reason for amendment
	<p><u>resumed as stipulated in the preceding paragraph, shareholders who have not registered to participate in the shareholders' meeting online shall not attend the postponed or resumed meeting.</u></p> <p><u>When a meeting shall be postponed or resumed according to paragraph 2, the number of shares represented by and the voting rights and election rights exercised by the shareholders who have registered to participate in the shareholders' meeting and have already signed in the meeting, but do not attend the postpone or resumed one, at the original shareholders' meeting, shall be counted in the total number of shares, number of voting rights and number of election rights represented at the postponed or resumed meeting.</u></p> <p><u>During a postponed or resumed meeting held in accordance with paragraph 2, proposals for which votes have been cast and counted and results have been announced, or list of elected directors and supervisors, further discussion and resolution are not necessary.</u></p> <p><u>When the company convenes a hybrid shareholders' meeting assisted by video conference, and the meeting cannot continue as described in paragraph 2, after those represented by shareholders attending the video conference online are deducted, if the total number of shares represented at the meeting still meets the minimum quorum for a shareholder meeting, then the shareholders' meeting shall</u></p>		

Article No.	Amended provisions	Provisions before amendment	Reason for amendment
	<p><u>continue, and does not need to be postponed or resumed according to paragraph 2.</u></p> <p><u>When a meeting should continue as stipulated in the preceding paragraph, the shares represented by shareholders attending the meeting online shall be counted in the total number of shares represented by shareholders present at the meeting; however, these shareholders shall be deemed abstaining from voting on all proposals on the meeting agenda of that shareholders' meeting.</u></p> <p><u>When postponing or resuming a meeting according to paragraph 2, the company shall handle the pre-processing based on the date of the original shareholders' meeting in accordance with Article 44-20, paragraph 7 of the Regulations Governing the Administration of Shareholder Services of Public Companies.</u></p> <p><u>For dates or period set forth under Article 12, second half, and Article 13, paragraph 3 of Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies, and Article 44-5, paragraph 2, Article 44-15, and Article 44-17, paragraph 1 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the company shall handle the matter based on the date of the shareholders' meeting that is postponed or resumed under paragraph 2.</u></p>		
Article 14	Matters not specified in the Rules shall all be handled <u>in accordance with the Company</u>	Matters not specified in these Rules <u>shall all be handled in accordance</u>	Text Amendment

Article No.	Amended provisions	Provisions before amendment	Reason for amendment
	<u>Act, the Articles of Incorporation and the relevant standards and norms stipulated by the competent authority.</u>	<u>with the relevant provisions of the Company Act and the Articles of Incorporation.</u>	

## Comparison of amendments to the” Procedures for Acquisition or Disposal of Assets”

Amended provisions	Provisions before amendment	Description
<p>Article 8 Procedures for Public Announcement and Report</p> <p>1.Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the Securities and Futures Institute’s (SFI) designated website in the stipulated format as prescribed by competent authority according to its nature within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(1) Acquisition or disposal of real property or its right-of-use assets from a related party, or acquisition or disposal of assets other than real property or its right-of-use assets from a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; but this does not apply to trading of domestic government bonds or bonds under repurchase and reverse purchase agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) Merger, demerger, acquisition, or transfer of shares.</p> <p>(3) Losses from engaging in derivatives</p>	<p>Article 8 Procedures for Public Announcement and Report</p> <p>1.Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the Securities and Futures Institute’s (SFI) designated website in the stipulated format as prescribed by competent authority according to its nature within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(1) Acquisition or disposal of real property or its right-of-use assets from a related party, or acquisition or disposal of assets other than real property or its right-of-use assets from a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; but this does not apply to trading of domestic government bonds or bonds under repurchase and reverse purchase agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) Merger, demerger, acquisition, or transfer of shares.</p>	<p>To amend the text according to current regulations.</p>

Amended provisions	Provisions before amendment	Description
<p>trading reaching the maximum loss limits on the whole contracts or individual contracts set out in these procedures adopted by the company.</p> <p>(4) When the equipment or its right-of-use assets for business use are acquired or disposed of, and the transaction counterpart is not a related party, with the transaction amount of meeting one of the following provisions:</p> <p>(i) A public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches more than NT\$500 million.</p> <p>(ii) A public company whose paid-in capital is more than NT\$10 billion, the transaction amount reaches more than NT\$1 billion.</p> <p>(5) When land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on leased land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the transaction counterpart is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million or more.</p> <p>(6) Where An asset transaction other than any of those referred to in the preceding five subparagraphs, a</p>	<p>(3) Losses from engaging in derivatives trading reaching the maximum loss limits on the whole contracts or individual contracts set out in these procedures adopted by the company.</p> <p>(4) When the equipment or its right-of-use assets for business use are acquired or disposed of, and the transaction counterpart is not a related party, with the transaction amount of meeting one of the following provisions:</p> <p>(i) A public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches more than NT\$500 million.</p> <p>(ii) A public company whose paid-in capital is more than NT\$10 billion, the transaction amount reaches more than NT\$1 billion.</p> <p>(5) When land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on leased land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the transaction counterpart is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million or more.</p> <p>(6) Where an asset transaction other than any of those referred to in the</p>	



Amended provisions	Provisions before amendment	Description
<p>disposal of receivables by a financial institution, or an investment in the mainland China area reaching more than 20 percent of paid-in capital or NT\$300 million or more; but the following circumstances are not limited:</p> <p>(i) Trading of domestic government bonds <u>or foreign government bonds which have credit rating not lower than the sovereign rating of the ROC's.</u></p> <p>(ii) Those done by professional investors - securities trading on Taiwan Stock Exchange (TWSE) or Taipei Exchange (TPEX) markets, or subscription of <u>foreign government bonds, or of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or redemption of exchange traded notes,</u> or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the TPEX.</p> <p>(iii) Trading of bonds under repurchase and reverse purchase agreements, or subscription or redemption of money market funds issued by domestic</p>	<p>preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaching more than 20 percent of paid-in capital or NT\$300 million or more; but the following circumstances are not limited:</p> <p>(i) Trading of domestic government bonds.</p> <p>(ii) Those done by professional investors - securities trading on Taiwan Stock Exchange (TWSE) or Taipei Exchange (TPEX) markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the TPEX.</p> <p>(iii) Trading of bonds under repurchase and reverse purchase agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. The transactions amount referred to in the preceding paragraph shall be</p>	

Amended provisions	Provisions before amendment	Description
<p>securities investment trust enterprises.</p> <p>The transactions amount referred to in the preceding paragraph shall be calculated as follows:</p> <p>(i) The amount of each individual transaction.</p> <p>(ii) The cumulative transaction amount of acquisitions and disposals of the same nature of underlying asset with the same transaction counterpart within one year.</p> <p>(iii) The cumulative transaction amount of acquisitions and disposals ( acquisitions and disposals are cumulated respectively) of real property or its right-of-use assets within the same development project within one year.</p> <p>(iv) The cumulative transaction amount of acquisitions and disposals (acquisitions and disposals are cumulated respectively) of the same security within one year.</p> <p>In principle, the term " date of occurrence " referred to in the preceding paragraph shall be 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 the transaction amount , (whichever comes first); but investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of</p>	<p>calculated as follows:</p> <p>(i) The amount of each individual transaction.</p> <p>(ii) The cumulative transaction amount of acquisitions and disposals of the same nature of underlying asset with the same transaction counterpart within one year.</p> <p>(iii) The cumulative transaction amount of acquisitions and disposals ( acquisitions and disposals are cumulated respectively) of real property or its right-of-use assets within the same development project within one year.</p> <p>(iv) The cumulative transaction amount of acquisitions and disposals (acquisitions and disposals are cumulated respectively) of the same security within one year.</p> <p>In principle, the term " date of occurrence " referred to in the preceding paragraph shall be 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 the transaction amount , (whichever comes first); but 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.</p> <p>The term "Within one year" refers to</p>	

Amended provisions	Provisions before amendment	Description
<p>approval by the competent authority shall apply.</p> <p>The term "Within one year" refers to the year preceding the date of occurrence of the current transaction. Parts publicly announced in accordance with these procedures need not be counted toward the transaction amount.</p> <p>The term "Mainland China area investment" refers to investments in the mainland China area conducted in accordance with the provisions of the Procedures Governing Permission for Investment or Technical Cooperation in the Mainland Area of the Ministry of Economic Affairs Investment Commission.</p> <p>2.The company shall compile monthly reports on the situations of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are non-domestic public companies and enter the information in the stipulated format into the information reporting website designated by the SFI by the 10th day of each month.</p> <p>3.When the company has already publicly announced and reported in accordance with the provisions of the preceding paragraph, if any of the following circumstances occurs, a public announcement and report of relevant information shall be made on the information reporting website</p>	<p>the year preceding the date of occurrence of the current transaction.</p> <p>Parts publicly announced in accordance with these procedures need not be counted toward the transaction amount.</p> <p>The term "Mainland China area investment" refers to investments in the mainland China area conducted in accordance with the provisions of the Procedures Governing Permission for Investment or Technical Cooperation in the Mainland Area of the Ministry of Economic Affairs Investment Commission.</p> <p>2.The company shall compile monthly reports on the situations of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are non-domestic public companies and enter the information in the stipulated format into the information reporting website designated by the SFI by the 10th day of each month.</p> <p>3.When the company has already publicly announced and reported in accordance with the provisions of the preceding paragraph, if any of the following circumstances occurs, a public announcement and report of relevant information shall be made on the information reporting website designated by the SFI within 2 days counting inclusively from the date of occurrence of the event:</p>	

Amended provisions	Provisions before amendment	Description
<p>designated by the SFI within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(1) Change, termination, or rescission of a contract signed in regards to the original transaction.</p> <p>(2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</p> <p>(3) The originally publicly announced and reported information has been changed.</p> <p>4. When the public announcement of the company makes an error or omission in an item required by regulations to be publicly announced and it is required to be corrected it, all the items shall be again publicly announced and reported within two days counting inclusively from the date of knowing of such error or omission.</p>	<p>(1) Change, termination, or rescission of a contract signed in regards to the original transaction.</p> <p>(2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</p> <p>(3) The originally publicly announced and reported information has been changed.</p> <p>4. When the public announcement of the company makes an error or omission in an item required by regulations to be publicly announced and it is required to be corrected it, all the items shall be again publicly announced and reported within two days counting inclusively from the date of knowing of such error or omission.</p>	
<p>Article 11</p> <p>When the company acquires or disposes of real property, equipment, or its right-of-use assets , if the total amount of transaction reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with government agency, engaging others to build on its own land, engaging others to build on leased land, or acquiring or disposing of equipment or its right-of-use assets for business</p>	<p>Article 11</p> <p>When the company acquires or disposes of real property, equipment, or its right-of-use assets , if the total amount of transaction reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with government agency, engaging others to build on its own land, engaging others to build on leased land, or acquiring or disposing of equipment or its right-of-use assets for business</p>	<p>Amend the text to cooperate with current Regulation.</p>

Amended provisions	Provisions before amendment	Description
<p>use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall comply with the following provisions:</p> <p>1. Due to special circumstances, when it is necessary to give a limited price, specified price, or special price as a reference for the transaction price, the transaction shall obtain the consent to more than half of all members of the Audit Committee and submitted to the board of directors for approval, and the provisions of Article 3 shall apply mutatis mutandis; the same procedure shall also be followed if there is any subsequent change to the transaction conditions.</p> <p>2.If the total amount of transaction is more than NT\$ 1 billion, appraisals from two or more professional appraisers shall be obtained.</p> <p>3.When any 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 CPA shall be engaged to express a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction</p>	<p>use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall comply with the following provisions:</p> <p>1.Due to special circumstances, when it is necessary to give a limited price, specified price, or special price as a reference for the transaction price, the transaction shall obtain the consent to more than half of all members of the Audit Committee and submitted to the board of directors for approval, and the provisions of Article 3 shall apply mutatis mutandis; the same procedure shall also be followed if there is any subsequent change to the transaction conditions.</p> <p>2.If the total amount of transaction is more than NT\$ 1 billion, appraisals from two or more professional appraisers shall be obtained.</p> <p>3.When any 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 CPA shall be engaged to <u>perform the appraisal in accordance with the provisions of Statement of Auditing Standards</u></p>	

Amended provisions	Provisions before amendment	Description
<p>price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount reaches 20 percent or more of the transaction amount.</p> <p>(2) The discrepancy between the appraisal results of two or more professional appraisers reaches 10 percent or more of the transaction amount.</p> <p>4.No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the date that the contract is executed; however, if the publicly announced current value for the same period is applied and no more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>The term “professional appraiser” refers to a real property appraiser or other person authorized by law to engage in the value appraisal of real property or equipment.</p>	<p><u>No. 20 published by the Accounting Research and Development Foundation (ARDF) and render, and</u>  expressing 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 reaches 20 percent or more of the transaction amount.</p> <p>(2) The discrepancy between the appraisal results of two or more professional appraisers reaches 10 percent or more of the transaction amount.</p> <p>4.No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the date that the contract is executed; however, if the publicly announced current value for the same period is applied and no more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>The term “professional appraiser” refers to a real property appraiser or other person authorized by law to engage in the value appraisal of real property or equipment.</p>	

Amended provisions	Provisions before amendment	Description
<p>Article 12</p> <p>When the company acquires or disposes of securities, it shall obtain financial statements of the issuing company for the most recent period, certified or reviewed by a CPA, for reference in appraising the transaction price before the date of occurrence of the event, and if the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall engage a CPA before the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. However, this requirement shall not apply if the securities have a publicly quote price in an active market or if otherwise provided by the FSC.</p>	<p>Article 12</p> <p>When the company acquires or disposes of securities, it shall obtain financial statements of the issuing company for the most recent period, certified or reviewed by a CPA, for reference in appraising the transaction price before the date of occurrence of the event, and if the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall engage a CPA before the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. <u>If the report of an expert is needed by the CPA, it shall be conducted in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation(ARDF).</u></p> <p>However, this requirement shall not apply if the securities have a publicly quote price in an active market or if otherwise provided by the FSC.</p>	<p>Amend the text to cooperate with current Regulation.</p>
<p>Article 13</p> <p>When the company acquires or disposes of intangible assets or their right-of-use assets or memberships whose transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, apart from trading with domestic government agencies, the company shall engage a CPA before the</p>	<p>Article 13</p> <p>When the company acquires or disposes of intangible assets or their right-of-use assets or memberships whose transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, apart from trading with domestic government agencies, the company shall engage a</p>	<p>Amend the text to cooperate with current Regulation.</p>

Amended provisions	Provisions before amendment	Description
<p>date of occurrence of the event to provide opinion regarding the reasonableness of the transaction price.</p>	<p>CPA before the date of occurrence of the event to provide opinion regarding the reasonableness of the transaction price.</p>	
<p>Article 16 When the company acquires or disposes of real property or its right-of-use assets from a related party, or when acquires or disposes of assets other than real property or its right-of-use assets from a related party and the transaction amount reaches more than 20 percent of paid-in capital, more than 10 percent of the company's total assets, or more than NT\$300 million, apart from trading domestic government bonds or bonds under repurchase and reverse purchase agreements, subscribing or redeeming money market funds issued by domestic securities investment trust enterprises, not until the following materials have been approved by one-half or more of all the Audit Committee members and submitted to the board of directors for approval, and Article 3 applies mutatis mutandis may the company enter into a transaction contract or make a payment:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>2. The reason for choosing the related party as a transaction counterpart.</li> <li>3. When acquiring real property or its right-of-use assets from a related</li> </ol>	<p>Article 16 When the company acquires or disposes of real property or its right-of-use assets from a related party, or when acquires or disposes of assets other than real property or its right-of-use assets from a related party and the transaction amount reaches more than 20 percent of paid-in capital, more than 10 percent of the company's total assets, or more than NT\$300 million, apart from trading domestic government bonds or bonds under repurchase and reverse purchase agreements, subscribing or redeeming money market funds issued by domestic securities investment trust enterprises, not until the following materials have been approved by one-half or more of all the Audit Committee members and submitted to the board of directors for approval, and Article 3 applies mutatis mutandis may the company enter into a transaction contract or make a payment:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>2. The reason for choosing the related party as a transaction counterpart.</li> <li>3. When acquiring real property or its</li> </ol>	<p>Amend the text to cooperate with current Regulation.</p>



Amended provisions	Provisions before amendment	Description
<p>party, related materials appraising the reasonableness of the preliminary transaction conditions in accordance with Article 17 and 18 of the procedures.</p> <p>4. The date and price that the related party originally acquired, the transaction counterpart, and the transaction counterpart's relationship to the company and the related party, etc.</p> <p>5. Monthly cash flow forecasts for the year starting from the anticipated month of signing of the contract, and appraisal the necessity of the transaction, and reasonableness of the fund utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in accordance with the provision of preceding article.</p> <p>7. Restrictive conditions and other major covenants related to the transaction.</p> <p>When the following transactions conducted between the company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or total capital, the company's board of directors may authorize the chairman of the board to decide such affair when the transaction is within 10 percent of paid-in capital and submit the decisions to the most recent board of directors</p>	<p>right-of-use assets from a related party, related materials appraising the reasonableness of the preliminary transaction conditions in accordance with Article 17 and 18 of the procedures.</p> <p>4. The date and price that the related party originally acquired, the transaction counterpart, and the transaction counterpart's relationship to the company and the related party, etc.</p> <p>5. Monthly cash flow forecasts for the year starting from the anticipated month of signing of the contract, and appraisal the necessity of the transaction, and reasonableness of the fund utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in accordance with the provision of preceding article.</p> <p>7. Restrictive conditions and other major covenants related to the transaction.</p> <p><u>The calculation of the transaction amount referred to in the preceding paragraph shall be conducted in accordance with Article 8, and the term “within one-year” refers to the year before the date of the occurrence of the current transaction. The part that has obtained consent of the Audit Committee and has been submitted to the shareholders' meeting and the board</u></p>	

Amended provisions	Provisions before amendment	Description
<p>meeting for subsequent confirmation:</p> <p>(i) Acquiring or disposing of equipment or its right-of-use assets for business use.</p> <p>(ii) Acquiring or disposing of real property or its right-of-use assets of for business use.</p> <p>After the position of independent directors has been established, when submitting the board of directors for discussion in accordance with paragraph 1, the opinions of each independent director shall be fully considered, and the reasons for their reservation or objection shall be specified in the minutes of the meeting.</p> <p>The calculation of the transaction amount referred to in <u>paragraph 1 and the preceding paragraph</u> shall be conducted in accordance with Article 8, and the term “within one-year” refers to the year before the date of the occurrence of the current transaction.</p> <p>The part that has obtained consent of the Audit Committee and has been submitted to the shareholders' meeting and the board of directors for approval in accordance with the regulations need not be counted in the transaction amounts.</p> <p><u>When the company or a subsidiary that is a non-domestic public company has a transaction referred to in paragraph 1 and the transaction amount reaches more than 10% of the total assets of the</u></p>	<p><u>of directors for approval in accordance with the regulations need not be counted toward the transaction amounts.</u></p> <p>When the following transactions conducted between the company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or total capital, the company's board of directors may authorize the chairman of the board to decide such affair when the transaction is within 10 percent of paid-in capital and submit the decisions to the most recent board of directors meeting for subsequent confirmation:</p> <p>Acquiring or disposing of equipment or its right-of-use assets for business use.</p> <p>(ii) Acquiring or disposing of real property or its right-of-use assets of for business use.</p> <p>After the position of independent directors has been established, when submitting the board of directors for discussion in accordance with paragraph 1, the opinions of each independent director shall be fully considered, and the reasons for their reservation or objection shall be specified in the minutes of the meeting.</p>	

Amended provisions	Provisions before amendment	Description
<p><u>company, the company shall submit materials as listed in each the subparagraph of paragraph 1 to the shareholders' meeting for approval before entering into the transaction contract and making payment. However, this restriction does not apply to transactions between the company and subsidiaries or between subsidiaries.</u></p>		
<p>Article 33 The regulations were signed on June 25, 2004. The first amendment was made on June 22, 2005. The second amendment was made on June 21, 2007. The third amendment was made on June 20, 2012. The fourth amendment was made on June 20, 2014. The fifth amendment was made on June 23, 2017. The sixth amendment was made on June 20, 2019. The seventh amendment was made on June 17, 2020. <u>The eighth amendment was made on June 16, 2022.</u></p>	<p>Article 33 The regulations were signed on June 25, 2004. The first amendment was made on June 22, 2005. The second amendment was made on June 21, 2007. The third amendment was made on June 20, 2012. The fourth amendment was made on June 20, 2014. The fifth amendment was made on June 23, 2017. The sixth amendment was made on June 20, 2019. The seventh amendment was made on June 17, 2020.</p>	<p>To add the revision date and times</p>

## **Articles of Incorporation of Kaori Heat Treatment Co., Ltd.**

### Chapter I General Principles

Article 1: The company is incorporated in accordance with the provisions regarding Company Limited by Shares stipulated in the Company Act, and its name is “Kaori Heat Treatment Co., Ltd.”

Article 2: The business scope of the company is listed as follows:

- (1) CA02010 Manufacture of Metal Structure and Architectural Components.
- (2) CA02090 Metal Wire Products Manufacturing.
- (3) CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere

Classified.

- (4) CA03010 Heat Treatment.
- (5) CB01010 Mechanical Equipment Manufacturing.
- (6) CB01990 Other Machinery Manufacturing.
- (7) CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing.
- (8) CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing.
- (9) CD01020 Tramway Cars Manufacturing.
- (10) CD01060 Aircraft and Parts Manufacturing.
- (11) CP01010 Hand Tools Manufacturing.
- (12) F106010 Wholesale of Hardware.
- (13) F113990 Wholesale of Other Machinery and Tools.
- (14) F401010 International Trade.
- (15) E599010 Piping Engineering.
- (16) E601010 Electric Appliance Construction.
- (17) E601020 Electric Appliance Installation.
- (18) E604010 Machinery Installation.
- (19) IG03010 Energy Technical Services.
- (20) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3: The head office of the company is situated in Taoyuan City. The company may, upon any resolution adopted by its board of directors, set up branch offices at home and abroad in accordance with the laws.

Article 4: The public announcements about the company shall appear in a prominent part of

any daily newspaper in the city/county or city/province where the company is located, unless otherwise provided by other laws and regulations.

Article 4-1: For business needs, the company may act as guarantor, and its operations shall be handled in accordance with the company's Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees.

## Chapter II Shares

Article 5: The company holds a total capital of NT\$1.5 billion, which is divided into 150 million shares, with NT\$10 per share. The foregoing unissued shares shall be issued in installments upon the issuance conditions stipulated by the board of directors according to business needs. Five million shares of the foregoing total capital shall be reserved for issuing employee stock warrants, which may be issued in installments in accordance with the resolution adopted by the board of directors.

Article 5-1: In accordance with Article 56-1 of the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers” and Article 10-1 of the “Regulations Governing Share Repurchase by Exchange-Listed and OTC Listed Companies”, the company shall obtain the consent of at least two-thirds of the voting rights represented at a shareholders’ meeting attended by shareholders representing a majority of the issued shares, so as to issue employee stock warrants at a price less than the closing price of the company's common shares on the issue date and transfer the shares to employees at a price less than the average actual shares repurchase price.

Article 5-2: As for the treasury shares bought back by the company, the persons/parties entitled to such transfer include the employees of the parent company or its subsidiaries that meet certain specific requirements.

The persons/parties entitled to receiving the company's employee stock warrants include the employees of the parent company or its subsidiaries that meet certain specific requirements.

When the company issues new shares, the employees who subscribe for shares include the employees of the parent company or its subsidiaries that meet certain specific requirements.

The persons/parties entitled to receiving the restricted stocks for employees issued by the company include the employees of the parent company or its subsidiaries that meet certain specific requirements.

The board of directors should be authorized to stipulate those certain specific requirements.

Article 6: The shares of the company shall be affixed with the signatures or personal seals of

three directors or more, and then issued after being certified by the competent authority or any approved issuance registration agency according to the laws. The company may be exempted from printing any share certificate for the shares issued.

Article 7: The regulations governing the company's stock affairs shall be all handled in accordance with relevant laws and regulations as well as the provisions enacted by the competent authority.

Article 8: The share transfer registration shall be suspended within 60 days prior to the convening date of a regular meeting of shareholders or within 30 days prior to the convening date of a special meeting of shareholders, or within 5 days prior to the target date fixed by the issuing company for distribution of dividends, bonus, or other benefits.

### Chapter III Shareholders' Meeting

Article 9: Shareholders' meeting shall be of two kinds: Regular Meeting of Shareholders, and Special Meeting of Shareholders. Regular Meeting of Shareholders shall be convened once every year within six months after the close of each fiscal year. Special Meeting of Shareholders shall be convened according to the laws when necessary. A notice to convene a Regular Meeting of Shareholders shall be given to each shareholder no later than 30 days prior to the scheduled meeting date. A notice to convene a Special Meeting of Shareholders shall be given to each shareholder no later than 15 days prior to the scheduled meeting date.

Article 10: In accordance with Article 177 of the Company Act, if a shareholder is unable to attend the shareholders' meeting for any reason, he/she may appoint a proxy to attend the meeting by executing a power of attorney.

Article 11: The chairman of the board of directors shall preside the shareholders' meeting. In case the chairman of the board of directors is on leave or absent, the chairman of the board of directors shall designate one of the directors to act on his/her behalf. In the absence of such a designation, the directors shall elect from among themselves to act on his/her behalf. When the meeting is called by a convener other than the board of directors, the convener shall preside. If there are more than two conveners, one shall be elected from among themselves.

Article 12: A shareholder of the company shall have one voting power in respect of each share in his/her/its possession, except for those who have been restricted or those who have no voting right as listed in Paragraph 2 of Article 179 of the Company Act.

Article 13: Resolutions at a shareholders' meeting shall, unless otherwise provided by the

Company Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.

Article 14: Resolutions adopted at the shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the company within twenty (20) days after the close of the meeting. The distribution of the minutes of shareholders' meeting may be effected by means of a public notice. The minutes of shareholders' meeting shall record a summary of the essential points of the proceedings and the results of the meeting. The minutes of the meeting, together with the attendance list bearing the signatures of shareholders present at the meeting as well as the powers of attorney of the proxies, shall be kept by the company.

#### Chapter IV Directors and Audit Committee

Article 15: The company shall have nine directors. A candidate nomination system is adopted. Shareholders shall elect the directors from among the nominees listed in the roster of director candidates. The term of office shall be three years. The elected directors may be eligible for re-election next time. The company may obtain liability insurance for directors in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", while the board of directors is authorized to make any resolution regarding the insurance coverage.

Article 15-1: The directors of the company shall include at least two independent directors, which shall not account for less than one-fifth of the total number of directors. The professional qualifications, shareholding, part-time job limitations, nomination and election modes of independent directors, as well as other matters for compliance, shall be handled in accordance with relevant regulations enacted by the competent authority in charge of securities affairs.

Article 15-2: In accordance with Article 14-4 of the Securities and Exchange Act, the company shall establish an Audit Committee which shall be composed of the entire number of independent directors. The Audit Committee and its members shall exercise their power and matters related thereto, in accordance with the Securities and Exchange Act and other relevant laws and regulations.

Article 16: When the number of vacancies in the board of directors equals to one-third of the total number of directors, the board of directors shall call a special meeting of shareholders within 60 days, to elect succeeding directors to fill the vacancies.

Article 17: In case no election of new directors is effected after expiration of the term of office of existing directors, the term of office of out-going directors shall be

extended until the time when new directors have been elected and assumed their office.

Article 18: The directors organize the board of directors and shall elect a chairman of the board directors from among the directors by a majority vote at a meeting attended by over two-thirds of the directors, and may also elect in the same manner a vice chairman of the board, to handle all the affairs of the company in accordance with laws and regulations, the Articles of Incorporation, the resolutions adopted by the shareholders' meetings and the meetings of the board of directors.

Article 19: The company's business policies and other major matters shall be handled according to the resolutions adopted by the board of directors. Other than the first meeting of the board of directors convened each year in accordance with Article 203 of the Company Act, the rest meetings of the board of directors shall be called and presided by the chairman of the board of directors. In case the chairman of the board of directors can not exercise his/her power and authority for any cause, the vice chairman shall act on his/her behalf. In case the vice chairman is also on leave or absent or unable to exercise his power and authority for any cause, the chairman of the board of directors shall designate one of the directors to act on his/her behalf. In the absence of such designation, the directors shall elect from among themselves an acting chairman of the board of directors.

Article 20: The meeting of the board of directors shall be convened once every three months. In calling a meeting of the board of directors, a notice shall set forth therein the subject(s) to be discussed at the meeting and then be sent to each director no more than seven days prior to the scheduled meeting. However, in the case of emergency, a meeting of the board of directors may be convened at any time. The notice may be effected by means of writing, e-mail or fax.

Article 20-1: When a director performs his/her power, he/she may get remuneration regardless of the company's profits and losses. The board of directors is authorized to determine the payment standards that limit the amount to be within the total amount of NT\$ 1 million per person per month.

Article 21: Unless otherwise provided for in the Company Act, a meeting of the board of directors shall be attended by more than half of the directors at the meeting attended by more than half of the directors. If a director is unable to attend the meeting for any cause, he/she may appoint another director to attend a meeting of the board of directors on his/her behalf and he/she shall issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting. A director may accept the appointment to act as the proxy of one



other director only.

Article 22: Resolutions adopted at a board of directors' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all directors of the company within 15 days after the close of the meeting. The minutes of the meeting shall record a summary of the essential points of the proceedings and the results of the meeting. The minutes, together with the attendance list bearing the signatures of the directors present at the meeting as well as the powers of attorney of the of proxies, shall be kept by company.

Article 23: The company authorizes the board of directors to make a flexible decision on the amount of reinvestment according to the de facto actual situation, and the total amount of its reinvestment is not subject to the percentage restriction as provided in Article 13 of the Company Act that the total amount of reinvestment shall not exceed 40% of the company's paid-in capital.

#### Chapter V Managers and Staff

Article 24: The company may have one or more General Managers, whose appointment, dismissal, and remuneration shall be decided by more than half of voting shares of all the board of directors.

Article 25: Upon the resolution adopted by the board of directors in accordance with Article 21 of the Articles of Incorporation, the company may hire consultants and major staff.

Article 26: General Manager may authorize a department head to appoint or dismiss other employees in the company.

#### Chapter VI Final Accounts

Article 27: The fiscal accounting year of the company starts from January 1 to December 31 of each year. At the close of each fiscal accounting year, the board of directors shall prepare the following statements and records, submit them to the Audit Committee for auditing not later than 30 days prior to the meeting date of the regular meeting of shareholders, and then forward them to the regular meeting of shareholders for recognition.

(1) Business reports.

(2) Financial statements.

(3) Proposals concerning surplus earning distribution or loss off-setting

Article 28: If the company makes profits each year, it shall set aside not less than 2% of profits of the current year distributable as employees' remuneration and not more than 5% of profits of the current year distributable as

directors' remuneration. The company may, by a resolution adopted at a meeting of board of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash. The employees entitled to receiving such shares or cash include the employees of subsidiaries of the company meeting certain specific requirements.

However, the company's accumulated losses shall have been covered first by means of certain amounts reserved, and then the remuneration for employees and directors shall be set aside according to the foregoing ratios.

Article 29: If there is any surplus in the company's annual final accounts after income tax are paid according to the laws, the cumulative annual losses shall be covered first. Then, the company should set aside ten percent of the surplus of said profits as legal reserve. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. Aside from the aforesaid legal reserve, the company may, in accordance with relevant laws and regulations or the provisions enacted by the competent authority, set aside or reverse another sums as special reserve. If there is still any surplus profit, plus the undistributed surplus at the beginning of the year, the board of directors can formulate a proposal on the distribution of dividends, as well as the bonuses to shareholders, based on the range of 10% to 100% of such surplus, according to the company's industrial development situation. If such a distribution is done by means of issuing new shares, a proposal shall be submitted to the shareholders' meeting for having a resolution before such a distribution. In accordance with Paragraph 5 of Article 240 of the Company Act, the company can authorize the distributable dividends and bonuses to 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; or according to Paragraph 1 of Article 241 of the Company Act, the company can distribute its legal reserve and capital reserve by cash, in whole or in part. Such distribution shall be submitted to the shareholders' meeting.

Article 29-1: The company may distribute cash dividends at no less than 10% of the total dividends paid to shareholders, by considering the company's environment and growth stage, responding to future capital demand and long-term financial planning, and considering both shareholder interests and Balancing Dividends Policy.

#### Chapter VII Supplementary Provisions

Article 30: The organizational rules and bylaws of the company can be stipulated by the board of directors otherwise.

Article 31: Regarding the matters not stipulated in the Articles of Incorporation, the Company Act and other laws and regulations shall govern.

Article 32: The Articles of Incorporation was enacted on October 12, 1970. The first amendment was made on November 15, 1970. The second amendment was made

on May 23, 1971. The third amendment was made on August 20, 1973. The fourth amendment was on made on August 20, 1981. The fifth amendment was made on May 22, 1983. The sixth amendment was made on August 7, 1984. The seventh amendment was made on November 1, 1986. The eighth amendment was made on November 30, 1987. The ninth amendment was made on July 16, 1988. The tenth amendment was made on February 28, 1989. The eleventh amendment was made on August 20, 1989. The twelfth amendment was made on November 20, 1989. The thirteenth amendment was made on February 12, 1990. The fourteenth amendment was made on March 21, 1990. The fifteenth amendment was made on June 12, 1991. The sixteenth amendment was made on June 6, 1993. The seventeenth amendment was made on July 25, 1994. The eighteenth amendment was made on June 22, 1997. The nineteenth amendment was made on May 3, 1998. The twentieth amendment was made on July 16, 1998. The 21st amendment was made on June 13, 1999. The 22nd amendment was made on June 29, 2002. The 23rd amendment was made on June 25, 2004. The 24th amendment was made on June 22, 2005. The 25th amendment was made on June 21, 2006. The 26th amendment was made on June 21, 2007. The 27th amendment was made on June 25, 2009. The 28th amendment was made on June 25, 2010. The 29th amendment was made on June 28, 2011. The 30th amendment was made on June 20, 2012. The 31st amendment was made on June 20, 2014. The 32nd amendment was made on June 23, 2016. The 33rd amendment was made on June 23, 2017. The 34th amendment was made on June 20, 2019. The 35th amendment was made on June 17, 2020.

Kaori Heat Treatment Co., Ltd.

Chairman: HAN HSIEN SON

**Kaori Heat Treatment Co., Ltd.**  
**Rules of Procedure for Shareholders' Meetings**

Article 1: The procedures for shareholders' meetings of the company shall be conducted in accordance with these rules.

Article 2: Shareholders or their proxies attending the meeting shall wear their attendance cards and hand in their sign-in cards in lieu of signing in, and then calculate the stock equity accordingly.

Article 3: The chairman of the meeting shall announce that the meeting begins, upon more than one-half of all the shareholders representing the total number of issued shares are present.

Article 4: The agenda of the shareholders' meeting shall be stipulated by the board of directors, and all the meetings shall be held in accordance with the procedures arranged in the agenda. It may not be changed without a resolution adopted by the shareholders' meeting.

When a shareholders' meeting is called by a convener other than the board of directors, the preceding paragraph applies *mutatis mutandis*.

Before the conclusion of the agenda arranged in the preceding two paragraphs (including extempore motions), the chairman shall not declare the adjournment of the meeting without any resolution. After the adjournment of the meeting, the shareholders shall not elect another chairman of the meeting to resume the meeting at the original or other venue. However, if the chairman violates these rules of procedures and then declares the meeting adjourned, other members of the board of directors shall immediately help the shareholders who attend the meeting elect one person as the new chairman with the consent of more than half of the voting rights of the shareholders attending the meeting, so as to continue the meeting according to the statutory procedure.

Article 5: In addition to the proposals listed on the agenda, when it comes to other proposals proposed by shareholders or amendment/alternatives to the original proposal, the chairman of the meeting shall present the amended or alternative proposal together with the original proposal, and then decide the voting order. When any one of such proposals is passed, the other proposals shall be deemed as veto, and there is no need to proceed with further voting.

Article 6: The matters other than any proposal shall not be discussed or voted. When a proposal is being discussed, the chairman may declare the conclusion of the

discussion at appropriate timing, and then may declare the discussion to be terminated if necessary.

Article 7: When the discussion of an issue is declared to be concluded or terminated, the chairman shall suggest that such an issue should be put to vote.

Article 8: Except as otherwise provided in the Company Act, the voting of a proposal shall be undertaken upon the consent from more than half of the voting rights represented by the attending shareholders. When voting, for each proposal, the chairman or the person designated by the chairman shall announce the total number of voting rights represented by the attending shareholders, and then the shareholders should make decisions by voting on each proposal. On the same day when the meeting is adjourned, the results regarding the numbers of shareholders' consent, objection and abstentions shall be entered into the Market Observation Post System (MOPS) at the same day.

Article 9: If a shareholder present at the meeting wants to deliver a speech, he/she should fill in a speaker's slip to specify the number of his/her attendance card, name and the number of his/her shares held. The chairman of the meeting shall list the sequence of these shareholders' speeches.

Article 10: As for shareholder's speech, each person (including natural person and legal person) shall finish delivering his/her speech within three minutes. However, such a timeframe may be extended once if the chairman agrees. On the same proposal, each person (including natural person and legal person) shall not deliver his/her speech more than twice.

Article 11: If a shareholder's speech exceeds the time limit or the scope of the proposal, the chairman may terminate his/her speech. If anyone disagrees with the correction made by the chairman or interferes with the order of the meeting, the chairman may suspend his/her attendance.

Article 12: During the session period of the meeting, the chairman may declare that everyone can take a break depending on the meeting hours.

Article 13: During the session period of the meeting, if any force majeure event occurs, the chairman may decide that the meeting should be suspended, and then announce the time for resuming the meeting depending on the circumstance.

Before all the agendas of the shareholders' meeting (including extempore motions) have been addressed, if the venue of the meeting is no longer available at that time for continued use, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

The shareholders' meeting may, in accordance with Article 182 of the Company

Act, adopt a resolution to defer or resume the meeting within five days.

Article 14: Matters not specified in these Rules shall all be handled in accordance with the relevant provisions of the Company Act and the Articles of Incorporation.

Article 15: These Rules shall take effect after being approved by the shareholders' meeting; the same manner should also apply to any amendment.

**Kaori Heat Treatment Co., Ltd.****Shareholding of all Directors**

1. As of April 18, 2022, namely the book close date of share transfer for this annual general shareholders' meeting, the paid-in capital of the company is NT\$ 893,840,800, and the total number of issued shares is 89,384,080.
2. According to Article 26 of the Securities and Exchange Act, the statutory minimum number of shares to be held by all directors is 7,150,726 shares (since there are two independent directors, the shareholding ratio of all directors other than the independent directors is decreased to be 80%).

## 3. Shareholding Details of Directors:

Title	Full name	Shares held by (including trust holdings) as of April 18, 2022	
		Number of shares	Ratio%
Chairman of Board	HAN HSIEN SON	3,260,276	3.64 %
Director (also Vice Chairman of Board)	HAN HSIEN FU	2,708,388	3.03 %
Director (also General Manager)	WU CHIH HSYONG	208,000	0.23 %
Director	CHEN CHUN LIANG	569,382	0.64 %
Director (also Deputy General Manager)	WANG HSIN WU	300,356	0.34 %
Director	HUANG HUNG HSING	216,165	0.24 %
Independent Director	CHEN FAN SHIONG	0	0.00 %
Independent Director	HONG HSIANG WEN	0	0.00 %
Independent Director	WU CHUN YING	0	0.00 %
Total		7,262,567	8.12 %