

Stock Code: 2030



彰源企業股份有限公司
FROCH ENTERPRISE CO., LTD.

2024 Annual General Meeting of Shareholders

Conference Handbook

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

June 12, 2024

NOTES TO READERS

This document is presented in both Chinese version and English version.

In case when any discrepancies and/or differences between these two versions, the Chinese version shall prevail.



Table of Contents

One. Meeting Agenda -----	1
Two. Reports -----	2
Three. Ratifications -----	4
Four. Other Business and Special Motions -----	4
Five. Adjournment-----	4
Six. Appendices	
Appendix 1. The 2023 Business Report-----	5
Appendix 2. Audit Committee's Review Report -----	8
Appendix 3. Financial Statements and Consolidated Financial Statements --	9
Appendix 4. Allocation of 2023 Employee and Director Remuneration -----	29
Appendix 5. Comparison Table of Existing and Revised " The Charter of Audit Committee " -----	30
Appendix 6. Earnings Appropriation Report -----	35
Appendix 7. Shareholdings of All Directors -----	36
Appendix 8. Impacts of Proposed Stock Dividends on Business Performance, Earnings per Share, and Return on Equity -----	37
Other Remarks -----	37
Appendix 9. Comparison Table of Existing and Revised " The Charter of Audit Committee "-----	38
Appendix 10. "Shareholder Conference Rules"-----	43



FROCH ENTERPRISE CO., LTD.
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One. Meeting Agenda

Froch Enterprise Co., Ltd.

2024 Annual General Meeting Agenda

Mode of Meeting: In-person shareholders' meeting

Time: 9:00 am, June 12, 2024 (Thursday).

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

Meeting Procedure:

- I. Report on the number of shares represented by attending shareholders
- II. Commencement of meeting
- III. Chairman's opening remarks
- IV. Reports
 1. Report on 2023 business performance
 2. Audit Committee's review of the 2023 year-end accounts
 3. Report on the allocation of 2023 employee and director remuneration
 4. Report on the allocation of 2023 cash dividends
 5. Report of the Company's amendment on "The Charter of the Audit Committee"
- V. Ratifications
 1. Ratification of 2023 business report and year-end accounts
 2. Ratification of 2023 earnings appropriation
- VI. Other Business and Special Motions
- VII. Adjournment

Two. Reports

Motion 1

Subject: Report on 2023 business performance; as presented.

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

Motion 2

Subject: Audit Committee's review of the 2023 year-end accounts, as presented.

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

Motion 3

Subject: Report on the allocation of 2023 employee and director remuneration, as presented.

Explanatory Notes: Please refer to Appendix 4 of this handbook for Allocation of 2023 Employee and Director Remuneration.

Motion 4

Subject: Report on the allocation of 2023 cash dividends; as presented.

Explanatory Notes:

1. It is based on Article 38-1 of the Company's "Articles of Incorporation", authorizing the board of directors to make a resolution to distribute all or part of the dividends and bonuses in cash and report to the shareholders' meeting.
2. It is proposed to distribute a cash dividend of NT\$ 0.50 per share, totaling NT\$ 140,263,014. Upon completion of the shareholders' meeting, the board of directors is authorized to establish a cash dividend distribution basis and other related matters. On the distribution date of cash dividends (distributed up to NTD, rounded down below NTD), the total amount of odd amounts distributed less than NT\$ 1 shall be included in the Company's other income.
3. When the Company's relevant equity interests change and affect its total number of outstanding shares, it shall propose to the shareholders' meeting for authorizing the board of directors to adjust the shareholders' dividend distribution ratio based on the Company's number of outstanding shares on the dividend distribution date, in accordance with the total amount of surplus proposed to be distributed for ordinary shares as determined by the resolution of the present case.

Motion 5

Subject: Report on the amendment of the Company's "The Charter of the Audit Committee ", as presented.

Explanatory Notes: Please refer to Appendix 5 of this handbook for Comparison Table of Existing and Revised "The Charter of the Audit Committee".

Three. Ratifications

Motion 1

(Proposed by the board of directors)

Subject: Ratification of the 2023 business report and year-end accounts, as presented.

Explanatory Notes: 1. The Company has finished preparation of its 2023 year-end accounts including Business Report, individual financial statements and consolidated financial statements. All above statements have been audited by certified public accountants and reviewed by the Audit Committee, and are hereby presented for ratification in shareholders' meeting.

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

Resolution:

Motion 2

(Proposed by the board of directors)

Subject: Ratification of the Company's 2023 earnings appropriation, as presented.

Explanatory Notes: 1. Please refer to Appendix 7 of this handbook for the 2023 earnings appropriation chart.

Resolution:

Four. Other Business and Special Motions

Five. Adjournment

Seven. Appendices

Appendix 1

The 2023 Business Report

The Company is primarily involved in the production and the sales of stainless steel tubes and pipes and stainless steel sheets and coils. The Company sold 72,523 tonnes of stainless steel tubes and pipes in 2023, decline 7% from the previous year, and 28,218 tonnes of stainless steel sheets and coils in 2023, decline 23% from the previous year. 51% of products were sold domestically while the other 49% were exported, with Americas, Europe, and Asia making up the majority of the export destinations. The Company adopts a sales strategy that focuses on long-term relations, diversified markets, diversified customers, and overall risk reduction.

In 2023, the nickel price was weak, and the stainless steel showed a downward trend. On the supply side, stainless steel is oversupplied as a result of increased supply from major producing countries, and on the demand side, as the slow destocking of customers and the slowdown in the global economy have curbed the demand for stainless steel. To sum up, comparing 2023 with 2022, the overall nickel price in 2023 was lower than that in 2022, and the company's operating revenue fell by nearly 25% due to the decrease in selling price and quantity. The decline in raw materials price also compressed the Company's gross margin, which declined from 15% in 2022 to 7% in 2023. The 2023 business results and 2024 business outlook are hereby reported as follows:

I. 2023 Operating Results

(I) Results of Business Plans

Unit: NTD thousands

Products	2023 Performance	2022 Performance	Performance Comparison	Growth Rate %
Stainless Steel Tubes and Pipes	6,909,518	8,825,661	(1,916,143)	(21.71)
Stainless Steel Sheets and Coils	2,267,854	3,413,507	(1,145,653)	(33.56)
Others	82,222	32,269	49,953	154.80
Total Revenue	9,259,594	12,271,437	(3,011,843)	(24.54)

(II) Budget Execution

Unit: tonnes

Products	2023 Performance	2023 Forecast	Growth Rate %
Stainless Steel Tubes and Pipes	72,523	90,000	(18.68)
Stainless Steel Sheets and Coils	28,218	48,000	(41.21)
Tonnage Sold	101,405	138,000	(26.52)

(III) Profitability Analysis

Unit: NTD thousands

Aspects	2023	2022
Operating Profit to Paid-in Capital (%)	7.00	34.09
Pre-tax Income to Paid-up Capital (%)	2.96	34.15
Return on Assets (%)	1.30	6.72
Return on Shareholders' Equity (%)	1.01	14.56
Net Profit Margin (%)	0.55	6.04
Earnings per Share (NTD)	0.18	2.64

(IV) Income and Expenses

Unit: NTD thousands

Aspects	2023	2022	Variation	Note
Net Cash Inflow (Outflow) from Operating Activities	41,018	2,607,859	(2,566,841)	1
Net Cash Inflow (Outflow) from Investing Activities	(365,851)	(125,831)	240,020	2
Net Cash Inflow (Outflow) from Financing Activities	270,520	(2,540,668)	2,811,188	3

Note 1: The decrease in net cash inflow from operating activities is mainly due to the decrease in both net profit before tax and inventory sales in the current period.

Note 2: The increase in net cash outflow from investing activities is mainly due to the acquisition of subsidiary equity in the current period.

Note 3: The increase in net cash inflow from financing activities is mainly due to the decrease in repayment of short-term bank loans and the increase in long-term bank loans.

(V) Research and Development

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

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

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

II. Summary of 2024 Business Plan

(I) Operational Guidelines and Strategies

1. Sales Plan:

(1) Increasing sales of stainless steel tubular products

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

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

2. Production Plan:

(1) Expanding and utilizing product categories

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

(2) Reducing costs and expenses

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

3. Financial Structure Plan:

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

(II) Sales Forecast and Bases

1. The Company's sales forecast for 2024 is presented below:

Unit: tonnes

Item \ Year	2024 Sales Forecast
Stainless Steel Tubes and Pipes	90,000
Stainless Steel Sheets and Coils	42,000
Total	132,000

2. Bases:

In 2023, the nickel price weakened. At the beginning of this year, the nickel price remained hovering at the bottom. It is expected that the nickel price will reverse upward and present a stable trend in 2024. On the external economy, the government of China is actively adjusting and controlling the monetary policy since the Chinese economy is facing structural problems. In addition, the era of high US dollar interest rates is over and the interest rate is adjusting downwards. A weak US dollar is conducive to pushing up raw materials price, and the overall market is expected to be optimistic. The demand for stainless steel products is expected to increase. In view of the above, under the circumstances of stabilizing nickel prices in 2024 and stable stainless steel prices, the Company has a higher degree of grasp over inventory and product selling prices. The Company is cautiously optimistic about its operations and will continue to develop high value-added products to strengthen its competition and increase profitability.

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

(III) Key Production and Sales Policies:

In 2024, the Company will continue enhancing inventory management and inventory turnover and reducing production costs and expenses. Through optimizing production and sales, the Company is expected to gear up overall competitiveness and increase market share.

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

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

Appendix 2

Froch Enterprise Co., Ltd.

Audit Committee's Review Report

We have reviewed the Company's 2023 business report, financial statements (including individual and consolidated financial statements), and earnings appropriation proposal prepared by the Board of Directors. The financial statements (including individual and consolidated financial statements) have been audited by CPAs Ting-Chien Su and Shao-Chun Wu of Deloitte & Touche Taiwan, with which they issued an independent auditor's report of unmodified opinion. The Audit Committee has found no misstatement in the above business reports, financial statements, or earnings appropriation. We hereby report as presented above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of The Company Act.

Hereby presented for approval.

The 2024 Annual General Meeting

Froch Enterprise Co., Ltd.

Audit Committee convener

March 13, 2024

Appendix 3

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying parent company only financial statements of Froch Enterprise Co., Ltd. (the “Company”), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including material accounting policy information (collectively referred to as the “parent company only financial statements”).

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Parent Company Only 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 parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the audit of the Company's financial statements as of and for the year ended December 31, 2023 is as follows:

Revenue Recognition

The Company's export sales revenue is affected by the distance or convenience of connection with its customers, which makes the relevant revenue recognition procedures more complicated. A significant portion of export sales to customers for the year ended December 31, 2023, increased significantly compared to the previous year; therefore, we identified recognition of sales revenue as a key audit matter. Refer to Notes 4 and 17.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2024

Notice to Readers

The accompanying parent company only 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 parent company only financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent company only 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

FROCH ENTERPRISE CO., LTD.
**BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash	\$ 378,112	3	\$ 437,777	4
Financial assets at fair value through profit or loss - current	22,637	-	22,376	-
Notes receivable from unrelated parties	160,928	2	199,314	2
Notes receivable from related parties	240	-	-	-
Trade receivables from unrelated parties	770,921	7	660,435	6
Trade receivables from related parties	13,611	-	32,315	-
Other receivables	53,740	1	29,409	-
Inventories	3,083,313	27	3,296,833	29
Prepayments	143,500	1	58,629	1
Other current assets	1,756	-	200	-
Total current assets	<u>4,628,758</u>	<u>41</u>	<u>4,737,288</u>	<u>42</u>
NON-CURRENT ASSETS				
Investments accounted for using the equity method	3,267,609	29	3,100,492	28
Property, plant and equipment	3,235,851	29	3,220,923	29
Right-of-use assets	63,314	1	57,628	-
Deferred tax assets	13,681	-	14,269	-
Prepayments for equipment	62,446	-	64,450	1
Refundable deposits	15,177	-	15,066	-
Total non-current assets	<u>6,658,078</u>	<u>59</u>	<u>6,472,828</u>	<u>58</u>
TOTAL	<u>\$ 11,286,836</u>	<u>100</u>	<u>\$ 11,210,116</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 2,272,370	20	\$ 2,577,105	23
Contract liabilities - current	115,022	1	163,666	1
Notes payable to unrelated parties	24,699	-	21,553	-
Notes payable to related parties	3,028	-	3,028	-
Trade payables to unrelated parties	9,315	-	16,476	-
Trade payables to related parties	8,615	-	20	-
Other payables	150,381	1	173,842	2
Current tax liabilities	39,191	1	219,230	2
Lease liabilities - current	37,538	-	34,620	-
Current portion of long-term borrowings	92,069	1	557,474	5
Other current liabilities	2,275	-	2,079	-
Total current liabilities	<u>2,754,503</u>	<u>24</u>	<u>3,769,093</u>	<u>33</u>
NON-CURRENT LIABILITIES				
Long-term borrowings	3,345,078	30	1,836,431	17
Deferred tax liabilities	318,435	3	324,636	3
Lease liabilities - non-current	26,288	-	23,191	-
Net defined benefit liabilities - non-current	17,414	-	26,420	-
Guarantee deposits	4,990	-	4,990	-
Total non-current liabilities	<u>3,712,205</u>	<u>33</u>	<u>2,215,668</u>	<u>20</u>
Total liabilities	<u>6,466,708</u>	<u>57</u>	<u>5,984,761</u>	<u>53</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Ordinary shares	2,805,260	25	2,805,260	25
Capital surplus	463,471	4	463,471	4
Retained earnings				
Legal reserve	404,189	4	329,028	3
Special reserve	170,026	2	249,968	2
Unappropriated earnings	1,185,228	10	1,547,654	14
Other equity	(208,046)	(2)	(170,026)	(1)
Total equity	<u>4,820,128</u>	<u>43</u>	<u>5,225,355</u>	<u>47</u>
TOTAL	<u>\$ 11,286,836</u>	<u>100</u>	<u>\$ 11,210,116</u>	<u>100</u>

FROCH ENTERPRISE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 9,259,594	100	\$ 12,271,437	100
OPERATING COSTS	<u>8,575,068</u>	<u>93</u>	<u>10,483,654</u>	<u>85</u>
GROSS PROFIT	<u>684,526</u>	<u>7</u>	<u>1,787,783</u>	<u>15</u>
OPERATING EXPENSES				
Selling and marketing expenses	351,201	4	664,276	6
General and administrative expenses	<u>137,011</u>	<u>1</u>	<u>167,119</u>	<u>1</u>
Total operating expenses	<u>488,212</u>	<u>5</u>	<u>831,395</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>196,314</u>	<u>2</u>	<u>956,388</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	4,511	-	1,529	-
Other income	18,504	-	7,882	-
Other gains and losses	14,679	-	98,934	1
Finance costs	(119,666)	(1)	(101,771)	(1)
Share of profit or loss of subsidiaries accounted for using the equity method	<u>(31,291)</u>	<u>-</u>	<u>(4,956)</u>	<u>-</u>
Total non-operating income	<u>(113,263)</u>	<u>(1)</u>	<u>1,618</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	83,051	1	958,006	8
INCOME TAX EXPENSE	<u>32,101</u>	<u>1</u>	<u>216,790</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>50,950</u>	<u>-</u>	<u>741,216</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	3,290	-	12,997	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(658)	-	(2,599)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(38,020)</u>	<u>-</u>	<u>79,942</u>	<u>1</u>

(Continued)

FROCH ENTERPRISE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
Other comprehensive income (loss) for the year, net of income tax	<u>(35,388)</u>	<u>-</u>	<u>90,340</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 15,562</u>	<u>-</u>	<u>\$ 831,556</u>	<u>7</u>
EARNINGS PER SHARE				
Basic	<u>\$ 0.18</u>		<u>\$ 2.64</u>	
Diluted	<u>\$ 0.18</u>		<u>\$ 2.64</u>	

(Concluded)

FROCH ENTERPRISE CO., LTD.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	Ordinary Shares	Capital Surplus	Retained Earnings			Other Equity Exchange Differences on Translation of the Financial Statements of Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2022	\$ 2,805,260	\$ 463,471	\$ 208,546	\$ 230,890	\$ 1,496,652	\$ (249,968)	\$ 4,954,851
Appropriation of 2021 earnings							
Legal reserve	-	-	120,482	-	(120,482)	-	-
Special reserve	-	-	-	19,078	(19,078)	-	-
Cash dividends distributed by the Company	-	-	-	-	(561,052)	-	(561,052)
Net profit for the year ended December 31, 2022	-	-	-	-	741,216	-	741,216
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	10,398	79,942	90,340
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	751,614	79,942	831,556
BALANCE AT DECEMBER 31, 2022	2,805,260	463,471	329,028	249,968	1,547,654	(170,026)	5,225,355
Appropriation of 2022 earnings							
Legal reserve	-	-	75,161	-	(75,161)	-	-
Special reserve	-	-	-	(79,942)	79,942	-	-
Cash dividends distributed by the Company	-	-	-	-	(420,789)	-	(420,789)
Net profit for the year ended December 31, 2023	-	-	-	-	50,950	-	50,950
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	2,632	(38,020)	(35,388)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	53,582	(38,020)	15,562
BALANCE AT DECEMBER 31, 2023	\$ 2,805,260	\$ 463,471	\$ 404,189	\$ 170,026	\$ 1,185,228	\$ (208,046)	\$ 4,820,128

FROCH ENTERPRISE CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 83,051	\$ 958,006
Adjustments for:		
Depreciation expense	173,192	158,963
Expected credit reversed on trade receivables	(2,605)	(255)
Net loss (gain) on fair value changes of financial assets at fair value		
High profit or loss	(1,407)	2,340
Finance costs	119,666	101,771
Interest income	(4,511)	(1,529)
Share of loss of subsidiaries	31,291	4,956
Gain on disposal of property, plant and equipment	(5,947)	(120)
Write-down of inventories	-	21,618
Reversal of write-down of inventories	(10,164)	-
Net loss on foreign currency exchange	16,802	511
Gain on lease modification	-	(802)
Changes in operating assets and liabilities		
Notes receivable	38,531	27,908
Trade receivables	(101,910)	337,642
Other receivables	(23,864)	37,464
Inventories	223,684	1,622,675
Prepayments	(84,871)	(21,285)
Other current assets	(1,556)	618
Contract liabilities	(48,644)	(86,614)
Notes payable	3,146	(24,349)
Trade payables	1,864	(119,182)
Other payables	(26,314)	(76,949)
Other current liabilities	196	(3,346)
Net defined benefit liabilities	(5,716)	(16,699)
Cash generated from operations	373,914	2,923,342
Interest received	4,511	1,529
Interest paid	(118,996)	(101,991)
Income tax paid	(218,411)	(215,021)
Net cash generated from (used in) operating activities	<u>41,018</u>	<u>2,607,859</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(14,069)	(8,621)
Proceeds from sale of financial assets at fair value through profit or loss	15,215	-
Net cash outflow on acquisition of subsidiary	(236,428)	-
Payments for property, plant and equipment	(148,146)	(102,583)
Proceeds from disposal of property, plant and equipment	19,937	120
Increase in refundable deposits	(111)	-
Increase in prepayments for equipment	(2,249)	(14,747)
Net cash used in investing activities	<u>(365,851)</u>	<u>(125,831)</u>

(Continued)

FROCH ENTERPRISE CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(304,735)	(1,484,510)
Proceeds from long-term borrowings	2,547,650	-
Repayments of long-term borrowings	(1,504,408)	(465,094)
Proceeds from guarantee deposits received	-	4,028
Repayment of the principal portion of lease liabilities	(47,198)	(34,040)
Dividends paid to owners of the Company	<u>(420,789)</u>	<u>(561,052)</u>
Net cash generated from (used in) financing activities	<u>270,520</u>	<u>(2,540,668)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(5,352)</u>	<u>555</u>
NET DECREASE IN CASH	(59,665)	(58,085)
CASH AT THE BEGINNING OF THE YEAR	<u>437,777</u>	<u>495,862</u>
CASH AT THE END OF THE YEAR	<u>\$ 378,112</u>	<u>\$ 437,777</u>

(Concluded)

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Froch Enterprise Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, 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 material accounting policy information (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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the audit of the Group's consolidated financial statements as of and for the year ended December 31, 2023 is as follows:

Revenue Recognition

The Group's export sales revenue is affected by the distance or convenience of connection with its customers, which makes the relevant revenue recognition procedures more complicated. A significant portion of export sales to customers for the year ended December 31, 2023, increased significantly compared to the previous year; therefore, we identified recognition of sales revenue as a key audit matter. Refer to Notes 4 and 17.

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

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

Other Matter

We have also audited the parent company only financial statements of Froch Enterprise Co., Ltd. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2024

Notice to Readers

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

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash	\$ 1,335,926	11	\$ 1,272,142	11
Financial assets at fair value through profit or loss - current	22,637	-	22,376	-
Notes receivable from unrelated parties	346,220	3	416,430	4
Notes receivable from related parties	240	-	-	-
Trade receivables from unrelated parties	856,786	7	768,921	6
Trade receivables from related parties	13,159	-	32,135	-
Other receivables	36,128	1	28,376	-
Current tax assets	1,364	-	3	-
Inventories	4,127,291	35	4,707,954	39
Prepayments	218,406	2	167,568	1
Current financial assets	15,439	-	15,433	-
Other current assets	1,756	-	200	-
Total current assets	6,975,352	59	7,431,538	61
NON-CURRENT ASSETS				
Property, plant and equipment	4,705,374	39	4,582,139	37
Right-of-use assets	87,259	1	85,001	1
Deferred tax assets	13,681	-	14,269	-
Prepayments for equipment	78,892	1	94,443	1
Refundable deposits	16,825	-	16,731	-
Total non-current assets	4,902,031	41	4,792,583	39
TOTAL	\$ 11,877,383	100	\$ 12,224,121	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 2,723,232	23	\$ 3,375,563	28
Contract liabilities - current	204,136	2	277,653	2
Notes payable to unrelated parties	24,699	-	21,553	-
Notes payables to related parties	3,028	-	3,028	-
Trade payables to unrelated parties	13,623	-	20,358	-
Other payables	189,406	2	245,765	2
Current tax liabilities	41,647	-	221,213	2
Lease liabilities - current	39,635	-	37,480	-
Current portion of long-term borrowings	92,069	1	557,474	5
Other current liabilities	2,603	-	4,419	-
Total current liabilities	3,334,078	28	4,764,506	39
NON-CURRENT LIABILITIES				
Long-term borrowings	3,345,078	28	1,836,431	15
Deferred tax liabilities	318,435	3	324,636	3
Lease liabilities - non-current	27,449	-	25,976	-
Net defined benefit liabilities - non-current	17,414	-	26,420	-
Guarantee deposits	14,801	-	20,797	-
Total non-current liabilities	3,723,177	31	2,234,260	18
Total liabilities	7,057,255	59	6,998,766	57
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Ordinary shares	2,805,260	24	2,805,260	23
Capital surplus	463,471	4	463,471	4
Retained earnings				
Legal reserve	404,189	3	329,028	3
Special reserve	170,026	2	249,968	2
Unappropriated earnings	1,185,228	10	1,547,654	12
Other equity	(208,046)	(2)	(170,026)	(1)
Total equity	4,820,128	41	5,225,355	43
TOTAL	\$ 11,877,383	100	\$ 12,224,121	100

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 12,856,899	100	\$ 16,247,991	100
OPERATING COSTS	<u>11,919,820</u>	<u>93</u>	<u>14,068,198</u>	<u>87</u>
GROSS PROFIT	<u>937,079</u>	<u>7</u>	<u>2,179,793</u>	<u>13</u>
OPERATING EXPENSES				
Selling and marketing expenses	480,432	4	790,167	5
General and administrative expenses	<u>206,168</u>	<u>1</u>	<u>234,230</u>	<u>1</u>
Total operating expenses	<u>686,600</u>	<u>5</u>	<u>1,024,397</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>250,479</u>	<u>2</u>	<u>1,155,396</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	7,313	-	5,185	-
Other income	22,991	-	13,950	-
Other gains and losses	(27,159)	-	(13,809)	-
Finance costs	<u>(160,086)</u>	<u>(1)</u>	<u>(129,831)</u>	<u>-</u>
Total non-operating expenses	<u>(156,941)</u>	<u>(1)</u>	<u>(124,505)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	93,538	1	1,030,891	7
INCOME TAX EXPENSE	<u>42,588</u>	<u>1</u>	<u>289,675</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>50,950</u>	<u>-</u>	<u>741,216</u>	<u>5</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	3,290	-	12,997	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(658)	-	(2,599)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(38,020)</u>	<u>-</u>	<u>79,942</u>	<u>-</u>

(Continued)

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

	2023		2022	
	Amount	%	Amount	%
Other comprehensive income (loss) for the year, net of income tax	<u>(35,388)</u>	-	<u>90,340</u>	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 15,562</u>	<u>-</u>	<u>\$ 831,556</u>	<u>5</u>
EARNINGS PER SHARE				
Basic	<u>\$ 0.18</u>		<u>\$ 2.64</u>	
Diluted	<u>\$ 0.18</u>		<u>\$ 2.64</u>	

(Concluded)

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	Ordinary Shares	Capital Surplus	Retained Earnings			Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2022	\$ 2,805,260	\$ 463,471	\$ 208,546	\$ 230,890	\$ 1,496,652	\$ (249,968)	\$ 4,954,851
Appropriation of 2021 earnings							
Legal reserve	-	-	120,482	-	(120,482)	-	-
Special reserve	-	-	-	19,078	(19,078)	-	-
Cash dividends distributed by the Company	-	-	-	-	(561,052)	-	(561,052)
Net profit for the year ended December 31, 2022	-	-	-	-	741,216	-	741,216
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	10,398	79,942	90,340
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	751,614	79,942	831,556
BALANCE AT DECEMBER 31, 2022	2,805,260	463,471	329,028	249,968	1,547,654	(170,026)	5,225,355
Appropriation of 2022 earnings							
Legal reserve	-	-	75,161	-	(75,161)	-	-
Special reserve	-	-	-	(79,942)	79,942	-	-
Cash dividends distributed by the Company	-	-	-	-	(420,789)	-	(420,789)
Net profit for the year ended December 31, 2023	-	-	-	-	50,950	-	50,950
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	2,632	(38,020)	(35,388)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	53,582	(38,020)	15,562
BALANCE AT DECEMBER 31, 2023	\$ 2,805,260	\$ 463,471	\$ 404,189	\$ 170,026	\$ 1,185,228	\$ (208,046)	\$ 4,820,128

(With Deloitte & Touche audit report dated March 13, 2024)

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 93,538	\$ 1,030,891
Adjustments for:		
Depreciation expense	283,719	260,935
Expected credit reversed on trade receivables	(926)	(1,250)
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	(1,407)	2,340
Finance costs	160,086	129,831
Interest income	(7,313)	(5,185)
Gain on disposal of property, plant and equipment	(5,894)	(528)
Write-down of inventories	-	21,682
Reversal of write-down of inventories	(7,545)	-
Net loss (gain) on foreign currency exchange	38,366	(20,454)
Gain on lease modification	(677)	(923)
Changes in operating assets and liabilities		
Notes receivable	70,786	18,058
Trade receivables	(80,407)	452,228
Other receivables	(7,754)	38,011
Inventories	593,359	1,551,061
Prepayments	(50,377)	937
Other current assets	(1,556)	618
Contract liabilities	(73,892)	(113,183)
Notes payable	3,146	(24,349)
Trade payables	(6,299)	(120,190)
Other payables	(33,102)	(83,489)
Other current liabilities	(1,816)	(1,285)
Net defined benefit liabilities	(5,716)	(16,699)
Cash generated from operations	958,319	3,119,057
Interest received	7,313	5,185
Interest paid	(161,739)	(127,342)
Income tax paid	(229,779)	(344,012)
Net cash generated from operating activities	<u>574,114</u>	<u>2,652,888</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(14,069)	(8,621)
Proceeds from sale of financial assets at fair value through profit or loss	15,215	-
Payments for property, plant and equipment	(400,907)	(250,599)
Proceeds from disposal of property, plant and equipment	20,312	781
Decrease (increase) in refundable deposits	(94)	224
Decrease (increase) in other financial assets	(9)	84,863
Increase in prepayments for equipment	(635)	(7,175)
Net cash used in investing activities	<u>(380,187)</u>	<u>(180,527)</u>

(Continued)

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(654,671)	(1,661,360)
Proceeds from long-term borrowings	2,547,650	-
Repayments of long-term borrowings	(1,504,408)	(465,094)
Proceeds from guarantee deposits received	-	9,955
Return of deposits received	(5,996)	-
Repayment of the principal portion of lease liabilities	(49,620)	(37,060)
Dividends paid to owners of the Company	<u>(420,789)</u>	<u>(561,052)</u>
Net cash used in financing activities	<u>(87,834)</u>	<u>(2,714,611)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(42,309)</u>	<u>(2,596)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	63,784	(244,846)
CASH AT THE BEGINNING OF THE YEAR	<u>1,272,142</u>	<u>1,516,988</u>
CASH AT THE END OF THE YEAR	<u>\$ 1,335,926</u>	<u>\$ 1,272,142</u>

(Concluded)

Appendix 4

Froch Enterprise Co., Ltd.

Allocation of 2023 Employee and Director Remuneration

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

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

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

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

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

The Company reported net income of NT\$1,131,644,302 for 2023; having considered future investment opportunities and industry characteristics, the board of directors passed a proposal during the meeting dated March 13, 2024 to pay cash dividends at NT\$0.50 per share.

3. Earnings appropriation proposal resolved in shareholders' meeting: Not Applicable.
4. Allocation of 2023 earnings for employee and director remuneration:

Both employee and director remuneration for 2023 have been proposed at NT\$847,464 individually. Both amounts have been proposed at 1% of pre-tax profit less cumulative losses, as stipulated in the Articles of Incorporation, and were recognized as operating expenses for 2023. However, if a sum different to the estimated amount is resolved in shareholders' meeting on a later date, the difference will be treated as a gain or loss item for 2024.

Appendix 5

Froch Enterprise Co., Ltd.
Comparison Table of Existing and Revised
“Charter of Audit Committee”

Article number	Existing Article	Amended Article	Description
Article 5	<p>Except for the functions and powers specified in Article 14-4, Paragraph 4 of the Securities and Exchange Act, the functions and powers of supervisors shall be exercised by the committee.</p> <p>The provisions of Article 14-4, Paragraph 4 of the Securities and Exchange Act regarding the behavior of a supervisor as the Company’s representative in relation to the Company Act shall apply to the independent directors of the Committee.</p>	<p><u>The provisions of the Securities and Exchange Act, the Company Act and other laws regarding supervisors shall apply to the Audit Committee.</u></p> <p><u>The provisions on the powers of supervisors in Article 14-4, Paragraph 4 of the Company Act shall apply to the independent directors of the Audit Committee.</u></p> <p><u>The resolutions of the Audit Committee shall be approved by more than one-half of all the members of the Audit Committee; the Audit Committee’s convener shall represent the Audit Committee to the public.</u></p> <p><u>The Company’s representatives specified in Article 213, Article 214, and Article 223 of the Company Act shall be elected by the Audit Committee in accordance with the procedure referred to in the preceding paragraph.</u></p> <p><u>The Audit Committee may resolve to have members appointed either individually or jointly. If a representative is not elected in accordance with the procedure referred to in the preceding paragraph, the members shall be considered joint representatives.</u></p> <p><u>All members referred to in these Regulations shall be counted as the actual incumbents.</u></p>	Amended to conform with regulatory amendment(s)
Article 6	<p>The functions and powers of the Committee are as follows:</p> <p>I. Establishing or amending the internal control system in accordance with Article 14-1 of</p>	<p>The functions and powers of the Committee are as follows:</p> <p>I. Establishing or amending the internal control system in accordance with Article 14-1 of</p>	Amended to conform with regulatory amendment

Article number	Existing Article	Amended Article	Description
	<p>the Securities and Exchange Act.</p> <p>II. Evaluation of the effectiveness of the internal control system.</p> <p>III. Establishment or amendment of the Procedures for the Acquisition or Disposal of Assets, Engagement in Derivative Transactions, Loaning of Funds to Others, Endorsement or Guarantee for Others in accordance with Article 36-1 of the Securities and Exchange Act.</p> <p>IV. Matters involving the interests of directors themselves.</p> <p>V. Major asset or derivative trade.</p> <p>VI. Material loans, endorsements, or guarantees.</p> <p>VII. Offering, issuance or private placement of equity-type securities.</p> <p>VIII. Appointment, dismissal or remuneration of CPAs.</p> <p>IX. The appointment or dismissal of the head of finance, accounting or internal audit.</p> <p>X. Annual and semi-annual financial reports.</p> <p>XI. Other important matters as required by the Company or the competent authority. (Skipped hereunder)</p>	<p>the Securities and Exchange Act.</p> <p>II. Evaluation of the effectiveness of the internal control system.</p> <p>III. Establishment or amendment of the Procedures for the Acquisition or Disposal of Assets, Engagement in Derivative Transactions, Loaning of Funds to Others, Endorsement or Guarantee for Others in accordance with Article 36-1 of the Securities and Exchange Act.</p> <p>IV. Matters involving the interests of directors themselves.</p> <p>V. Major asset or derivative trade.</p> <p>VI. Material loans, endorsements, or guarantees.</p> <p>VII. Offering, issuance or private placement of equity-type securities.</p> <p>VIII. Appointment, dismissal or remuneration of CPAs.</p> <p>IX. The appointment or dismissal of the head of finance, accounting or internal audit.</p> <p>X. Annual financial statements <u>signed or sealed by the chairman, managerial officers and accounting supervisor, and the second quarter financial statements audited and attested by CPAs.</u></p> <p>XI. Other important matters as required by the Company or the competent authority. (Skipped hereunder)</p>	<p>t(s)</p>
Article 7	<p>The Audit Committee meeting shall convene at least once per quarter, and it shall be clearly stated in the Audit Committee Charter.</p> <p>The reason for convening the Audit Committee meeting shall be specified and notified to each independent director seven days in advance. This does not apply in case of emergency.</p>	<p>The Audit Committee meeting shall convene at least once per quarter, and it shall be clearly stated in the Audit Committee Charter.</p> <p>The reason for convening the Audit Committee meeting shall be specified and notified to each independent director seven days in advance. This does not apply in case of emergency. <u>Audit Committee Meetings shall be held</u></p>	<p>Amended to conform with regulatory amendment(s)</p>

Article number	Existing Article	Amended Article	Description
	<p>The convener and chairperson of the Audit Committee meeting shall be elected by all the members from among themselves. When the convener is on leave or is unable to convene a meeting for any reason, the convener shall designate an independent director to act in place of the convener. If the appointment of a proxy is not made, the Directors shall elect from among themselves one person to serve as their deputy.</p> <p>(Skipped hereunder)</p>	<p><u>at the Company's location and office hours or at a place and time that is convenient for Audit Committee members and is suitable for Audit Committee meetings.</u></p> <p>The convener and chairperson of the Audit Committee meeting shall be elected from among the members of the Audit Committee. <u>However, if the members of the Audit Committee cannot elect the convener, the independent director who received the ballots representing the highest number of voting rights shall act as the convener.</u></p> <p>When the convener is on leave or is unable to convene a meeting for any reason, the convener shall designate an independent director to act in place of the convener. If the appointment of a proxy is not made, the Directors shall elect from among themselves one person to serve as their deputy. <u>Independent directors, who constitute more than half of all audit committee members, may request the convener to convene the audit committee meeting by stating in writing the matters proposed and the reasons therefor. If the convener fails to convene the meeting of the audit committee within 15 days after requesting the meeting, the independent directors who comprise more than one-half of the members of the audit committee may convene the meeting on their own initiative.</u></p> <p>(Skipped hereunder)</p>	
Article 8-1		<p><u>If less than half of the Audit Committee members are present at the scheduled meeting time, the chairperson may announce a</u></p>	Amended to conform with regulatory

Article number	Existing Article	Amended Article	Description
		<u>postponement of the meeting on the same day. The number of postponements is limited to two. If the quorum is still insufficient after two postponements, the chair may convene a new meeting in accordance with Article 7, Paragraph 2.</u>	amendment(s)
Article 8-2		<u>The Audit Committee shall proceed in accordance with the agenda scheduled in the meeting notice. However, it may be changed if approved by more than one-half of the members of the Audit Committee. The chairman shall not declare the meeting adjourned without the consent of more than one-half of all the members of the audit committee. During an audit committee meeting, if less than half of the Audit Committee members are present, the chairperson shall suspend the meeting on a motion from the independent directors present. The preceding Article shall apply.</u> <u>If the convener is unable to chair the meeting during the Audit Committee meeting or the chair does not adjourn the meeting in accordance with the provisions of paragraph 2, the provisions of paragraph 5 of Article 7 shall apply to the election of its proxy.</u>	Amended to conform with regulatory amendment(s)
Article 11	Independent directors of the Committee shall explain the important content of the stake in the agenda of the meeting. If it is harmful to the interest of the Company, they shall not participate in the discussion and voting, and shall recuse themselves during the discussion and voting. They are not allowed to exercise voting rights on behalf of other independent directors.	Independent directors of the Committee shall explain the important content of the stake in the agenda of the meeting. If it is harmful to the interest of the Company, they shall not participate in the discussion and voting, and shall recuse themselves during the discussion and voting. They are not allowed to exercise voting rights on behalf of other independent directors. <u>If an independent director's spouse or blood relative within the second degree of kinship has an</u>	Amended to conform with regulatory amendment(s)

Article number	Existing Article	Amended Article	Description
	<p>If the Committee is unable to make a resolution due to the preceding paragraph, the Committee shall report to the Board of Directors for resolution. (Skipped hereunder)</p>	<p><u>interest in an item referred to in the preceding paragraph, it shall be deemed that the independent director has a conflict of interest in the matter.</u></p> <p>If the Committee is unable to make a decision due to the <u>first paragraph</u>, the Committee shall report to the Board of Directors for a resolution. (Skipped hereunder)</p>	

Appendix 6

Froch Enterprise Co., Ltd.

Earnings Appropriation Report

2023

Unit: NTD

Items	Amount	Remarks
Distributable Earnings:		
1. Opening Undistributed Earnings	1,131,644,302	<p>1. The proposal was passed during the Board of Directors meeting dated March 13, 2024. In accordance with the Articles of Incorporation, which requires net income to be allocated for reimbursement of previous losses followed by a 10% provision for statutory reserve before the remainder is distributed.</p> <p>2. Employee remuneration to be allocated at NT\$847,464 Director remuneration to be allocated at NT\$847,464</p>
2. Effects of Retrospective Application and Restatement	0	
3. Net Income after Tax for 2023	50,950,378	
4. Other Comprehensive Income for 2023 - Actuarial Gains/Losses after Defined Benefit Plan	2,632,013	
5. Provision for Statutory Reserve	(5,358,239)	
6. Reverse Provision for Special Reserve	(38,019,645)	
7. Allocation of Cash Dividend at NT\$0.50 per Share	(140,263,014)	
8. Closing Undistributed Earnings	1,001,585,795	

Appendix 7

Froch Enterprise Co., Ltd.

Shareholdings of All Directors

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

Unit: shares

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

Appendix 8

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

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

Other Remarks

Proposals for the current annual general meeting of shareholders:

Explanatory Notes:

1. According to Article 172-1 of The Company Act, shareholders that own more than 1% of the Company's outstanding shares are entitled to propose motions for discussion in the 2024 general meeting of shareholders. Each shareholder may only propose one motion up to 300 Chinese characters (including punctuation); proposals above that limit will be excluded from discussion. Shareholders who have successfully proposed their motions shall attend the annual general meeting in person or through proxy and participate in the discussion.
2. The Company accepted shareholders' motion proposals for the current annual general meeting from March 29 to April 8, 2024, which was announced over the Market Observation Post System according to law.
3. The Company received no motion proposal from any shareholder.

Appendix 9: **The Charter of Audit Committee**

Before Amendments

Article 1

These Procedures are established in accordance with Article 3 of the “Regulations Governing the Exercise of Powers by Audit Committees of Public Companies.”

Article 2

The number, term of office, duties, rules of procedure of the Committee, and the resources to be provided by the Company for the exercise of the committee’s powers shall be in accordance with these Articles.

Article 3

The operation of the Committee is mainly to supervise the following matters:

- I. Appropriate presentation of the Company’s financial statements.
- II. Selection (dismissal) of CPAs, and their independence and performance.
- III. Effective implementation of the Company’s internal control.
- IV. The Company’s compliance with relevant laws and regulations.
- V. Management and control of existing or potential risks of the Company.

Article 4

The Committee is composed of all Independent Directors. The number of the Committee shall not be less than three. One of them shall be the convener, and at least one of them shall have accounting or financial expertise.

The term of office of Independent Directors of the Committee is 3 years, and may be reelected; if the number of Independent Directors dismissed for some reason falls below the number specified in the preceding paragraph or the Articles of Incorporation, a by-election shall be held at the most recent shareholders’ meeting. If all independent directors are dismissed, the Company shall convene an extraordinary general meeting for a by-election within 60 days from the date of dismissal.

Article 5

Except for the functions and powers specified in Article 14-4, Paragraph 4 of the Securities and Exchange Act, the functions and powers of supervisors shall be exercised by the committee.

The provisions of Article 14-4, Paragraph 4 of the Securities and Exchange Act regarding the behavior of a supervisor as the Company’s representative in relation to the Company Act shall apply to the independent directors of the Committee.

Article 6

The functions and powers of the Committee are as follows:

- I. Establishing or amending the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
- II. Evaluation of the effectiveness of the internal control system.
- III. Establishment or amendment of the Procedures for the Acquisition or Disposal of Assets, Engagement in Derivative Transactions, Loaning of Funds to Others, Endorsement or Guarantee for Others in accordance with Article 36-1 of the Securities and Exchange Act.
- IV. Matters involving the interests of directors themselves.
- V. Major asset or derivative trade.
- VI. Material loans, endorsements, or guarantees.
- VII. Offering, issuance or private placement of equity-type securities.
- VIII. Appointment, dismissal or remuneration of CPAs.
- IX. The appointment or dismissal of the head of finance, accounting or internal audit.
- X. Annual financial report and quarterly financial reports.
- XI. Other important matters as required by the Company or the competent authority.

The resolution of the aforementioned matters shall be subject to the consent of one-half or more of all the members of the committee and shall be submitted to the board of directors for resolution.

The matters under the subparagraphs of paragraph 1, except for subparagraph 10, if they are not approved by more than one-half of the members of the committee, the consent of more than two-thirds of all directors is required.

All members referred to in these Articles shall be counted as actual incumbents.

The convener of the Committee shall represent the Committee externally.

Article 7

The Committee shall convene at least once meeting per quarter, and may convene a meeting at any time as needed.

The reason for convening the Committee meeting shall be specified and notified to each Independent Director seven days in advance. This does not apply in case of emergency.

The convener and chairperson of the meeting shall be elected by all the members from among themselves. When the convener is on leave or is unable to convene a meeting for any reason, the convener shall designate an independent director to act in place of the convener. If the appointment of a proxy is not made, the Directors shall elect from among themselves one person to serve as their deputy.

The Committee may invite managers from relevant departments, internal auditors, CPAs, legal advisors, or other personnel of the Company to attend meetings and provide necessary information. However, they shall

leave the meeting during the discussion and voting. When convening a committee meeting, the committee shall prepare relevant information for the review of participating committee members at any time.

Article 8

At the meeting of the Committee, the Company shall provide a signature book for the attending independent directors to sign and for reference. Independent directors of the Committee shall attend the Committee meeting in person. If they are unable to attend the meeting in person, they may appoint another independent director to attend the meeting on their behalf; if they participate in the meeting via video conference, they shall be deemed to have attended the meeting in person.

When a committee member appoints another independent director to attend the committee meeting on his/her behalf, he/she shall issue a proxy form each time and state the scope of authorization with the reasons for convening the committee meeting. A resolution of the committee shall require the consent of at least one-half of all the members. The results of the voting shall be announced on the spot and recorded.

If the Committee is unable to convene for a legitimate reason, it shall be conducted with the consent of two-thirds of all the directors of the Board of Directors. However, for the matters referred to in Subparagraph 10, Paragraph 1, Article 6, independent directors shall still provide an opinion whether to approve or not.

The proxy in the second paragraph is limited to one person.

Article 9

The proceedings of the Committee shall be recorded in the minutes containing the following details:

- I. Term, time and place of the meeting.
- II. Name of the chairperson.
- III. Attendance of independent directors, including the names and numbers of those present, on leave, or absent.
- IV. The names and titles of the attendees.
- V. Names on record.
- VI. Report items
- VII. Items for discussion: resolution methods and results of each proposal, summaries of speeches by independent directors of committees, experts, and other personnel, the names of independent directors who have conflicts of interests in accordance with Article 11, paragraph 1, and explanations of important contents of the interests, the reasons for recusal or non-recusal, the circumstances of recusal, and objections or reservations.
- VIII. Extempore motion: name of the proposer, resolution methods and results of each proposal, summaries of speeches by independent directors of committees, experts, and other personnel, the names of independent directors who have conflicts of interests in accordance

with Article 11, paragraph 1, and explanations of important contents of the interests, the reasons for recusal or non-recusal, the circumstances of recusal, and objections or reservations.

IX. Other required information.

The attendance book of the Committee is an integral part of the meeting minutes and shall be properly kept during the existence of the Company. The minutes shall be affixed with the signatures or seals of the meeting chair and minutes taker, and distributed to all Independent Directors of the Committee within 20 days after the meeting. They shall be included as important files of the Company and properly retained during the existence of the Company.

The preparation and distribution of the minutes of meeting referred to in paragraph 1 may be made electronically.

Article 10

The convener shall set the agenda of the committee. Other committee members may also submit proposals for discussion by the committee.

Article 11

Independent directors of the Committee shall explain the important content of the stake in the agenda of the meeting. If it is harmful to the interest of the Company, they shall not participate in the discussion and voting, and shall recuse themselves during the discussion and voting. They are not allowed to exercise voting rights on behalf of other independent directors.

If the Committee is unable to make a resolution due to the preceding paragraph, the Committee shall report to the Board of Directors for resolution.

The Company shall keep audio or video recordings of all meetings of the Committee as evidence for a period of at least 5 years. Such records may be kept by electronic means.

Before the expiry of the retention period referred to in the preceding paragraph, in the event of a lawsuit concerning the matters discussed by the Committee, the relevant audio or video recording evidence shall be kept until the end of the lawsuit.

If a committee meeting is convened by video conference, the video and audio data shall be an integral part of the meeting minutes and shall be properly kept during the existence of the Company.

Article 12

The Committee may, by resolution, appoint lawyers, accountants or other professionals to conduct necessary inspections or provide consultations on the matters stipulated in Article 6, and the expenses incurred shall be borne by the Company.

Article 13

Committee members shall exercise the care of good-natured administrators, faithfully perform their duties under the Committee

Charter, be accountable to the board of directors, and submit proposals to the board of directors for resolution.

Article 14

The Committee shall periodically review matters related to the Committee Charter and provide amendments to the Board of Directors.

For matters resolved by the Committee, the convener or other members of the Committee may be authorized to continue the work related to the implementation of the matters. A written or oral report shall be presented to the Committee during the implementation period, and if necessary, it shall be submitted to the Committee at the next meeting for ratification or reporting.

Article 15

The Committee Charter shall be implemented after being approved by the board of directors, and shall be amended in the same manner.

First amendment on December 21, 2018

Appendix 10

Froch Enterprise Co., Ltd.

Shareholder Conference Rules

Article 1

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

Article 2

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

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

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

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

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

Article 3

The Chairman should announce commencement of meeting as soon as current attendees represent more than half of the Company's outstanding shares. The Chairman may postpone the meeting twice up to a maximum of one hour if the number of shares represented on-site falls short of the

statutory requirement when the meeting is due to commence. If attending shareholders represent more than one-third but less than half of outstanding shares after two postponements, the attending shareholders may reach a tentative resolution according to Article 175 of The Company Act. If the number of shares represented on-site accumulates above the statutory requirement as meeting progresses after a tentative resolution is reached, the Chairman may propose the tentative resolution for final voting according to Article 175 of The Company Act.

Article 4

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

Article 5

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

Article 6

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

Where Chairman position of the preceding paragraph is to be assumed by a managing director or director, the managing director or director must be on the board for more than six months and possess adequate understanding of the Company's financial and business situation. The same applies if the Chairman is a representative of an institutional director.

Article 7

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

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

Article 8

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

Article 9

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

Article 10

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

Article 11

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

Article 12

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

Article 13

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

Article 14

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

Article 15

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

Article 16

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

Article 17

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

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

Article 18

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