

Stock Code:4510

KAO FONG MACHINERY CO., LTD
2023 Shareholders Meeting

Meeting Handbook

June 14, 2023

Table of Contents

I. Meeting Procedure	1
II. Meeting Agenda	2
III. Report Items	3
IV. Matters for Ratification	5
V. Matters for Discussion	6
VI. Extempore motion.....	7
VII. Attachment	
1. Business Report	8
2. Financial Statements and Auditors' Report of 2022	10
3. Consolidated Financial Statements and Auditors' Report of 2022	19
4. Comparison Table of Amendments of 「Article of Incorporation」	28
5. Rules of Procedure for Shareholders Meetings (Full Revised Version).....	29
VIII. Appendix	
1. Rules of Procedure for Shareholders Meetings.....	37
2. Article of Incorporation	39
3. The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate	44
4. Current Shareholding of Directors	44

KAO FONG MACHINERY CO., LTD
Procedure for the 2023 Annual Meeting of
Shareholders

1. Call the Meeting to Order
2. Chairperson Takes Chair
3. Report Items
4. Matters for Ratification
5. Matters for Discussion
6. Extempore motion
7. Adjournment

KAO FONG MACHINERY CO., LTD

Year 2023 Agenda of Annual Meeting of Shareholders

Form of Shareholders' Meeting: Physical

Time and Date: 09:00 a.m. on June 14, 2023(Wednesday)

Venue: The Company (No. 16, Keya Rd., Daya Dist., Taichung City) Audio-visual Classroom

I. Call the Meeting to Order

II. Chair's Remarks

III. Report Items

1. 2022 Business Report
2. Audit Committee's Review Report on the 2022 Financial Statement
3. Report on the distribution of 2022 remuneration to employees and directors
4. Report on the execution of the 2022 external endorsements/guarantees

IV. Matters for Ratification

1. The 2022 business report and financial statements are submitted for ratification
2. The 2022 Statement of Profit Distribution is submitted for ratification

V. Matters for Discussion

1. Partial amendment to Article of Incorporation
2. Partial amendment to Rules of Procedure for Shareholders Meetings

VI. Extempore motion

VII. Adjournment

Report Items

1. 2022 Business Report

Explanation: For the 2022 Business Report please refer to Attachment 1 (p8~p9)

2. Audit Committee's Review Report on the 2022 Financial Statement

The Board of Directors prepared the Company's 2022 business report, financial statements (Including individual and consolidated financial statement) and statement of profit distribution, among which the financial statements were audited by CPAs CHANG, FU-LANG and CHIU, KUEI-LING of Crowe (TW) CPAs , by whom an audit report was issued. The business report, financial statements (Including individual and consolidated financial statement) and statement of profit distribution stated above have been audited by the auditors and found to be in compliance with Article 14-4 of the Securities and Exchange Act and Exchange Act the Article 219 in the Company Act.

It is hereby presented to

KAO FONG MACHINERY CO., LTD

The Company's 2023 Annual General Meeting

Audit Committee Convenor:

March 16, 2023

3. Report on the distribution of 2022 remuneration to employees and directors

Explanation:1. According to the Company Act and Article of Incorporation, if the company makes a profit in the year, at least 3% shall be set aside for employee compensation and no more than 5% for director compensation.

2. The Board of Directors' Meeting on March 16, 2023 resolved to distribute employees' remuneration of NT\$2,402,000 and directors' remuneration of NT\$1,601,000.

3. All of the above is paid in cash.

4. Report on the execution of the 2022 external endorsements/guarantees

Explanation:1. As of the end of 2022, the Status of Endorsement and Guarantee is as follow:

Unit: NT\$ thousand

Company Name of Endorser	Endorsed company	Endorsement guarantee limit for a single enterprise	Maximum Endorsement Guarantee Balance	Endorsement guarantee balance at the end of the period	Actual expenditure	Endorsement Guarantee Maximum Limit
KAO FONG MACHINERY CO., LTD	KAO FONG MACHINERY CO., LTD (Hnaian)	\$183,415	\$36,048	\$0	\$0	\$550,245
KAO FONG MACHINERY CO., LTD	Hofu Construction Co., Ltd.	\$183,415	\$156,000	\$156,000	\$48,500	\$550,245

Note: The total amount of endorsement/guarantee and the limit of endorsement/guarantee for a single enterprise are as follows:

1. The total amount of external endorsement and guarantee shall not exceed 30% of the Company's net worth.
2. The amount of the endorsement/guarantee for a single company shall not exceed the higher of 30% of the latest annual business transactions between the guaranteed company and the Company or 120% of the latest three months' business transactions and shall not exceed 10% of the Company's net worth; the amount of the endorsement/guarantee for subsidiaries shall not exceed 10% of the Company's net worth. In addition, the Companies' mutual guarantee for the contractual needs of the contracted projects or the joint investment by each shareholder in proportion to its shareholding in the investee company shall not exceed 10% of the Company's net worth.
3. The amount of the guarantee endorsed by the Company directly or indirectly for companies in which the Company holds more than 90% of the voting rights shall not exceed 10% of the net worth of the Company. However, if the Company directly or indirectly holds 100% of the voting shares of the endorsed company, the rule does not apply.

Net worth refers to the equity attributable to the owners of the subsidiary company under the Balance Sheet specified in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

2. As of December 2022 the status of Funds Loaned to others:

Unit: NT\$ thousand

Loaning Company	Entities to which the company may loan funds	Reasons why short-term financing is necessary	Maximum Amount	Balance at the end of the term	Actual expenditure	the maximum amount permitted to a single borrower	Maximum total loans
KAO FONG MACHINERY CO., LTD	KAO FONG MACHINERY CO., LTD (Hnaian)	Note2	\$21,825	\$21,508	\$21,508	\$183,415	\$733,660
KAO FONG MACHINERY CO., LTD	KAO FONG MACHINERY CO., LTD (Kunshan)	Note2	1,252	0	0	183,415	733,660
KAO FONG MACHINERY CO., LTD	KAO FONG MACHINERY CO., LTD (Hnaian)	Due to the liquidation of KAO FONG MACHINERY CO., LTD (Kunshan), short-term funds are needed to settle the accounts receivable and payable before liquidation.	67,590	44,080	30,856	183,415	733,660
KAO FONG MACHINERY CO., LTD	CHUAN KAO TECHNOS CO., LTD.	Operating funds for production expansion	48,978	0	0	183,415	733,660
CHUAN KAO TECHNOS CO., LTD.	KAO FONG MACHINERY CO., LTD (Hnaian)	Note2	49,195	0	0	183,415	733,660

Note1: The aggregate amount of loans and the maximum amount permitted to a single borrower:

- (1) The accumulated total of loans granted shall not exceed 40% of the net worth of the Company
- (2) With Business transaction: The total amount of the loan shall not exceed 40% of the Company's paid-in capital, the loan to a single company shall not exceed 20% of the Company's paid-in capital, and the amount of individual loan shall not exceed the amount of business transactions between the two parties.

Proposed by the Board of Directors

- (3) Where short-term financing is necessary, the total amount of funds loaned shall not exceed 20% of the Company's net worth, and the amount loaned to a single company shall not exceed 10% of the Company's net worth.

The total amount of funds loaned and the amount loaned to individual parties between foreign companies in which the Company directly and indirectly holds 100% of the voting rights shall not exceed 20% of the net worth of the Company.

Net worth refers to the equity attributable to the owners of the subsidiary company under the Balance Sheet specified in the Regulations Governing the Preparation of Financial Reports by Securities Issuers

Note2: Due to accounts receivable from related parties that exceed the standard credit terms are classified as other receivables

Matters for Ratification

1. Proposal: The 2022 business report and financial statements are submitted for ratification (Proposed by the Board of Directors)

Explanation: The Company's 2022 business report (Attachment 1, p8~p9) and financial statements (Attachment 2~3, p10~p27) · As agreed by the Audit Committee, approved by the Board of Directors and audited by the Auditors, are submitted for ratification.

Resolution:

2. Proposal: The 2022 Statement of Surplus Distribution is submitted for ratification (Proposed by the Board of Directors)

Explanation: 1. The net income of the Company in 2022 amounted to NT\$49,295,117

2. The proposed Profit Distribution is a prioritized distribution of the after-tax earnings for 2022.
3. The Chairman is authorized to set the ex-dividend date and other related matters after the approval of the shareholders' meeting.
4. If the total number of outstanding shares is affected by changes in the Company's share capital, and the dividend distribution rate is required to be adjusted, it is hereby proposed that the shareholders' meeting authorize the Chairman to exercise full authority on the matter.
5. Cash dividends are calculated based on the percentage of shares held by shareholders as of the ex-dividend date and are calculated up to the NT dollar amount (rounded down to the nearest one NT dollar), and the total amount of the deferred dividend is included in other income of the Company.
6. The following table shows the Profit Distribution for 2022:

KAO FONG MACHINERY CO., LTD

Profit Distribution table of 2022 Unit: NTD \$

Item	Total
Beginning retained earnings (TIFRS)	163,546,403
Add(Less):	
Other Consolidated Gains or Losses (Defined Benefit Plan Actuarial Gains or Losses) (2022)	5,221,451
Special reserves	5,428,828
2022 Net Profit after Tax	49,295,117
Subtotal	59,945,396
Provision:	
Less: Provision of legal reserve (10%)	5,994,540
Subtotal distributable profit for the year	217,497,259
Distributable items:	
Less: Dividend to shareholders - cash dividends (\$0.4 per share)	43,204,276
Unappropriated retained earnings	174,292,983

Note1. The profit distribution is prioritized by the unappropriated retained earnings of 2022.

Note2. The current capital is \$1,080,106,890

Chairman: Manager: Accounting Manager:

Resolution:

Matters for Discussion

1. Proposal: Partial amendment to the “Article of Incorporation” is submitted for discussion. (Proposed by the Board of Directors)
 Explanation: (1)To meet the operational needs, partial amendment to the Article of Incorporation is needed.
 (2)“Article of Incorporation” For Comparison Table of Amendments, please refer to Attachment 4 (p28).

Resolution:

2. Proposal: Partial amendment to the “Rules of Procedure for Shareholders Meetings “is submitted for discussion. (Proposed by the Board of Directors)
 Explanation: (1) The "Rules of Procedure for Shareholders Meetings" established by the Financial Supervisory Commission is no longer applicable. Therefore, the Company's original "Rules of Procedure for Shareholders Meetings" is also abolished.
 (2) To establish a good governance system for shareholders' meetings, improve the supervision function and strengthen the management function, the "Rules of Procedure for Shareholders Meetings" is established in accordance with Article 5 of the Code of Corporate Governance for Listed Companies.
 (3) Revised version of the “Rules of Procedure for Shareholders Meetings,” please refer to Attachment 5 (p29~p37)

Resolution:

Extempore motion

Adjournment

KAO FONG MACHINERY CO., LTD Business Report

1. 2022 Business Report

(1) Result of Implementation of Business Plan

The Company and the subsidiaries' consolidated revenue in 2022 is NT\$2,050,389 thousand. Compared to NT\$1,957,939 thousand in 2021, the revenue increased to NT\$92,450 thousand. As for the consolidated pre-tax net income, the company and subsidiaries earned NT\$70,941 thousand in 2022, which is a growth of NT\$105,471 thousand compared to the pre-tax net loss of NT\$34,530 IN 2021. The major reasons for the surging revenue result from the increasing domestic and foreign orders brought by the removal of travel restrictions and the positive exporting factors influenced by the depreciation of New Taiwan dollars.

(2) Execution of Budget: The Company and its subsidiaries did not disclose the financial forecasts in 2022; therefore, there is no information about the execution of budget.

(3) Financial Revenue and Expenditure and Profitability Analysis

A. Financial Revenue and Expenditure Analysis

Unit: NT\$ thousand

Item \ Year	2022	2021	Change %
Non-operating income and expenses	18,274	-14,503	-226%

The Company and the subsidiaries' non-operating income and expenses in 2022 increased NT\$32,777 thousand compared to the last year. The major reasons are the higher rent income and exchange rate respectively brought by the reuse of idle assets and the depreciation of New Taiwan dollars in 2022.

B. Profitability Analysis

Year \ Item		2022	2021	
Profitability	Return on total assets (%)	1.74	-0.21	
	Return on equity (%)	2.62	-1.81	
	Ratio to paid-in capital (%)	Operating income	4.88	-1.85
		Income before tax	6.57	-3.20
	Net profit/(loss) margin(%)	2.27	-1.79	
	Earnings per share (NT\$)	0.46	-0.33	

(4) Research and Development

Research and develop the optimization and remote visualization of machine tools, be adept at building different sizes of machine tools, and develop high-efficiency machines based on the industry's needs.

2. 2023 Overview of Business Plan

(1) Operation Policies:

- A. Focus on changes in domestic and global markets, and win orders
- B. Manage raw material volatility and cost management to improve productive efficiency
- C. Research and develop high-efficiency machines based on the industry
- D. Focus on operation risks to ensure sustainable development

(2) Business Objectives

Though countries have lifted travel restrictions in 2023, the Russian-Ukraine war and

inflation still impact the economy. The Company will continue to explore new orders from potential markets and keep the current markets' business scale. The total sales volume of machines is expected to reach 500.

(3) Important Production and Marketing Policies

- A. Raise the quality of products, boost efficiency, reduce waste, and decline inventory.
- B. Improve the stability of the source of raw materials and the manufacture of products
- C. Cooperation between China and Taiwan manufacturing bases to create benefits to the market

3. Future Development Strategy

To increase sales profits and improve the quality of products, the Company will open up domestic and foreign sales channels and focus on clients' credit risk evaluation. In addition, the company will develop new machines and improve the current ones to cater to the industry's needs for processing. For the Company's competitiveness, we will develop machines' automated production intelligence and cultivate employees' abilities.

4. The Effect of External Competition, The Legal Environment, and The Overall Business Environment

Though countries lifted travel restrictions in 2022, there was an overall decline in demand due to the Russian-Ukraine war and inflation. The effect of orders transferring in the market has not come into play, so the changes in the market should be noted for the uncertain business prospects. The company endeavored to stabilize the markets, expand the potential market, win more orders, and decline inventory costs by enhancing efficiency.

Fluctuation in exchange rate brings huge influences to industries that mainly count on export. When the economy slumps, only a stable and competitive policy on the exchange rate can help manufacturers boost the economy. The company focused on the fluctuation in the exchange rate, diversified risks by adjusting foreign currency assets, and fixed export quotations to minimize the effects caused by the exchange rate on the Company's operation.

The Company should maintain the stability of sales channels, improve the quality of products, and save costs to ensure sustainable operation and development. In addition, the company built a compensation and reward system to thank employees' contributions, encourage employees to improve the company's sales performance and profits, and therefore maximize the shareholders' benefits.

To improve sales performance and gain profits, the company will continue to increase sales channels, proficiently implement production and sales policy on markets, industries, and regions, improve product quality, and save costs.

Chairman:

Manager:

Accounting Manager:

Independent Auditors' Report

To KAO FONG MACHINERY CO., LTD :

Opinion

We have audited the accompanying financial statements of KAO FONG MACHINERY CO., LTD (the "Company"), which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of The Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers..

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 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 Company's parent company only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for The Company's parent company only financial statements for the year ended December 31, 2022 are stated as follows :

1. Revenue recognition

Please refer to Note 4.19 to the parent company only financial statements for the accounting policies of revenue recognition. Please refer to Note 5.1 3) to the parent company only financial statements for the significant accounting judgments, estimates, and assumptions of revenue recognition. Please refer to Note 6.23 to the parent company only financial statements for the details of revenue recognition.

Explanations to the key audit matter :

The operating revenue of The Company is principally arising from sales of products. The Company shall recognize revenue arising from the sales of products in normal operating activities when the customer obtains control of the products. It's the time when goods are transferred to a customer, and there's no remaining obligation that could affect the acceptance of the goods. Transfer is completed when the customer has accepted the products according to conditions of transactions, and the risk of obsolescence and lost is transferred to the customer,

The Company shall determine the time point of transferring control based on conditions of transactions and recognize revenue. The terms of transactions depend on contract terms. Therefore, we pay special attention to the correctness of the time point of recognizing sales revenue.

Audit procedures in response :

The audit procedures include obtaining understanding of and testing revenue recognition of products by management, and the effectiveness of relevant internal control, including confirming the conditions of sales contracts and whether the revenue is recognized appropriately. Furthermore, we performed the revenue cut-off testing to the transactions during a certain period prior and after the balance sheet date, and verified the delivery terms indicated on the sales contracts of products, and revenue recognition has been recorded in the appropriate period.

2. (Expected) impairment loss of receivables

Please refer to Note 4.6 to the parent company only financial statements for the accounting policies of evaluation of impairment loss of receivables. Please refer to Note 5.2 1) to the parent company only financial statements for the significant accounting judgments, estimates, and assumptions of evaluation of impairment loss of receivables. Please refer to Note 6.5 to the parent company only financial statements for the details of evaluation of impairment loss of receivables.

Explanations to the key audit matter :

The loss allowance of The Company is based on management's estimates to the expected credit losses by considering the credibility of sales customers, current market environment and specific conditions of customers, etc. Therefore, the evaluation involves management's subjective judgment to certain extent. The balance of receivables is significant to the financial statements, and the recovery risk increased due to current economic environment risk. Therefore, the test to the evaluation of (expected) impairment loss of receivables is one of the most important items of the audit.

Audit procedures in response :

The principal audit procedures include evaluating the appropriateness of the policies of setting aside loss allowance, testing the correctness of the aging of the receivables, analyzing the changes in aging and significant overdue accounts, evaluating the rationality of impairment loss of individual accounts receivables, confirming whether there is any impairment at the end of the period, and evaluating the recoverability by reviewing the recovery condition in subsequent period.

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 for such internal control as management determines is necessary to enable the preparation of the 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 members of 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 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 parent company only 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 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 from 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, we are required 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 appropriate audit evidence regarding the financial information of the 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, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Crowe (TW) CPAs

CPA :

CPA :

Reference Number of the FSC Approval letter : No.
Financial-Supervisory-Securities-Auditing-10200032833
March 16, 2023

KAO FONG MACHINERY CO., LTD
Parent Company Only Balance Sheets
December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current Assets				
1100	Cash and cash equivalents (Note 4 and 6.1)	\$355,695	8	\$269,077	5
1110	Current financial assets at fair value through profit or loss (Note 6.2)	24,960	1	27,330	1
1120	Current financial assets at fair value through other comprehensive income(Note 6.3)	524,654	11	698,911	14
1150	Notes receivables, net (Note 6.4)	29,007	1	93,427	2
1170	Accounts receivables, net (Note 6.5)	271,789	6	341,616	7
1180	Accounts receivables-related parties , net(Note 6.5)	96,878	2	64,618	1
1200	Other receivables	6,607	-	13,741	-
1210	Other receivables– related parties	53,419	1	104,707	2
1220	Current tax assets	88	-	182	-
130x	Inventories (Note 4 and 6.6)	667,966	15	791,871	16
1410	Prepayments	8,576	-	16,318	-
1470	Other current assets	20,683	-	7,268	-
11xx	Total current assets	2,060,322	45	2,429,066	48
	Non-current Assets				
1517	Non-current financial assets at fair value through other comprehensive income (Note 6.7)	92,473	2	78,159	2
1550	Investments accounted for using equity method(Note 4 and 6.8)	314,647	7	363,003	7
1600	Property, plant, and equipment (Note 4 and 6.9)	1,419,846	31	1,454,103	28
1755	Right-of-use assets (Note 4 and 6.10)	218,760	5	230,602	5
1760	Investment properties , net(Note 4 and 6.11)	416,957	9	419,552	8
1780	Intangible assets (Note 4 and 6.12)	7,767	-	6,131	-
1840	Deferred tax assets	28,696	1	46,592	1
1920	Refundable deposits	5,765	-	5,242	-
1930	Long-term notes and accounts receivable (Note 6.13)	1,895	-	29,669	1
1990	Other non-current assets-others	374	-	1,613	-
15xx	Total non-current assets	2,507,180	55	2,634,666	52
1xxx	Total assets	\$4,567,502	100	\$5,063,732	100

(carried over)

(brought forward)

KAO FONG MACHINERY CO., LTD
Parent Company Only Balance Sheets
December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Code	Liabilities and Equity	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current Liabilities				
2100	Short-term borrowings (Note 6.14)	\$741,325	18	\$889,206	18
2110	Short-term notes payables (Note 6.15)	150,000	3	110,000	2
2130	Current contract liabilities (Note 6.23)	55,370	1	84,945	2
2150	Notes payables	58	-	1,216	-
2170	Accounts payables	168,194	4	393,084	8
2180	Accounts payables –related parties	75	-	1,151	-
2200	Other payables	65,831	1	65,026	1
2250	Current provisions (Note 4 and 6.16)	9,345	-	9,164	-
2280	Current lease liabilities(Note 6.10)	13,253	-	13,367	-
2310	Receipts in advance	2,008	-	1,399	-
2320	Long-term liabilities-current portion(Note 6.17)	57,054	1	179,182	4
2399	Other current liabilities-others	979	-	1,085	-
21xx	Total current liabilities	1,263,492	28	1,748,825	35
	Non-current Liabilities				
2540	Long-term borrowings (Note 6.17)	1,246,251	27	1,144,233	23
2570	Deferred tax liabilities (Note 6.29)	2,207	-	251	-
2580	Non-current lease liabilities (Note 6.10)	213,081	5	221,936	4
2640	Net defined benefit liability, non-current (Note 4 and 6.18)	5,325	-	14,345	-
2645	Guaranteed deposits received	2,996	-	3,012	-
25xx	Total non-current liabilities	1,469,860	32	1,383,777	27
2xxx	Total liabilities	2,733,352	60	3,132,602	62
	Equity				
3100	Share capital (Note 4 and 6.19)	1,080,107	23	1,080,107	22
3200	Capital surplus (Note 6.20)	270,497	6	270,497	5
3300	Retained earnings (Note 6.21)	312,766	7	258,250	5
3400	Other equity (Note 6.22)	170,780	4	322,276	6
3xxx	Total equity	1,834,150	40	1,931,130	38
	Total liabilities and equity	\$4,567,502	100	\$5,063,732	100

(Please refer to the accompanying notes as an integral part of the parent company only financial statements.)

Chairman :

General Manager :

Accounting Officer :

KAO FONG MACHINERY CO., LTD
Parent Company Only Statements of Comprehensive Income
For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Code	Item	2022		2021	
		Amount	%		
4000	Operating revenue (Note 4 and 6.23)	\$1,676,079	100	\$1,608,378	100
5000	Operating costs (Note 6.6)	(1,322,685)	(79)	(1,364,979)	(85)
5900	Net gross profit (loss)	353,394	21	243,399	15
	Operating expenses				
6100	Selling expenses	(202,084)	(13)	(186,147)	(12)
6200	Administrative expenses	(67,185)	(4)	(53,743)	(3)
6300	Research and development expenses	(54,552)	(3)	(48,919)	(3)
6450	Expected credit impairment reversal gain (loss)	(7,328)	-	(590)	-
6000	Total operating expenses	(331,149)	(20)	(289,399)	(18)
6900	Net operating income (loss)	22,245	1	(46,000)	(3)
	Non-operating income and expenses				
7100	Interest revenue (Note 6.25)	5,732	-	3,124	-
7010	Other revenue (Note 6.26)	45,982	4	30,238	2
7020	Other gains and losses (Note 6.27)	17,429	1	(17,781)	(1)
7050	Finance cost (Note 4 and 6.28)	(44,691)	(3)	(32,621)	(2)
7070	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	18,988	1	27,061	2
7000	Total non-operating income and expenses	43,440	3	10,021	1
7900	Profit (loss) before tax	65,685	4	(35,979)	(2)
7950	Income tax benefits (expenses) (Note 4 and 6.29)	(16,390)	(1)	(147)	-
8000	Profit (loss) from continuing operations	49,295	3	(36,126)	(2)
8200	Profit (loss)	49,295	3	(36,126)	(2)
	Other comprehensive income (Note 6.30)				
	Items not to be reclassified into profit or loss				
8311	Remeasurements of defined benefit plans	5,221	-	2,751	-
8316	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	(158,707)	(9)	(94,179)	(6)
8349	Income tax related to items of other comprehensive income that will not be reclassified to profit or loss	(2,735)	-	2,332	-
8310	Total items not to be reclassified into profit or loss	(156,221)	(9)	(89,096)	(6)
	Items that may be subsequently reclassified into profit or loss				
8361	Exchange differences on translation of foreign financial statements	12,432	-	(2,092)	-
8399	Income tax related to items of other comprehensive income that will be reclassified to profit or loss	(2,486)	-	418	-
8360	Total items that may be subsequently reclassified into profit or loss	9,946	-	(1,674)	-
8300	Other comprehensive income, net of tax	(\$146,275)	(9)	(\$90,770)	(6)
8500	Total comprehensive income	(\$96,980)	(6)	(\$126,896)	(8)
	Earnings per share				
9750	Basic earnings per share (Note 6.31)	\$0.46		(\$0.33)	
9850	Diluted earnings per share (Note 6.31)	\$0.46		(\$0.33)	

(Please refer to the accompanying notes as an integral part of the parent company only financial statements.)

Chairman :

General Manager :

Accounting Officer :

KAO FONG MACHINERY CO., LTD
Parent Company Only Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Item	Retained earnings				Other equity			Total equity
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (or accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	
Balance at January 1, 2021	\$1,080,107	\$270,497	\$86,023	\$8,680	\$178,812	(\$24,596)	\$458,503	\$2,058,026
Profit (loss) for the year ended December 31, 2021	-	-	-	-	(36,126)	-	-	(36,126)
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	2,751	(1,674)	(91,847)	(90,770)
Total comprehensive income	-	-	-	-	(33,375)	(1,674)	(91,847)	(126,896)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	18,110	-	(18,110)	-
Balance at December 31, 2021	\$1,080,107	\$270,497	\$86,023	\$8,680	\$163,547	(\$26,270)	\$348,546	\$1,931,130
Balance at January 1, 2022	\$1,080,107	\$270,497	\$86,023	\$8,680	\$163,547	(\$26,270)	\$348,546	\$1,931,130
Profit (loss) for the year ended December 31, 2022	-	-	-	-	49,295	-	-	49,295
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	5,221	9,946	(161,442)	(146,275)
Total comprehensive income	-	-	-	-	54,516	9,946	(161,442)	(96,980)
Balance at December 31, 2022	\$1,080,107	\$270,497	\$86,023	\$8,680	\$218,063	(\$16,324)	\$187,104	\$1,834,150

(Please refer to the accompanying notes as an integral part of the parent company only financial statements.)

Chairman :

General Manager :

Accounting Officer :

KAO FONG MACHINERY CO., LTD
Parent Company Only Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Item	2022	2021
Cash flows from operating activities		
Profit (loss) before tax	\$65,685	(\$35,979)
Adjustments		
Items of income and expenses		
Depreciation expenses	57,281	58,009
Amortization expenses	2,859	522
Interest expenses	7,328	590
Interest revenue	2,370	1,770
Dividend revenue	44,691	32,621
Share of losses (profits) of associates and joint ventures accounted for using equity method	(5,732)	(3,124)
Interest expenses	(12,441)	(10,540)
Interest revenue	(18,988)	(27,061)
Losses (gains) from disposal and scrapping of property, plant and equipment	-	(75)
Losses (gains) from disposal of investments	5,910	-
Total items of income and expense	83,278	52,712
Changes in operating assets and liabilities		
Net changes in operating assets		
Decrease (increase) in notes receivables	65,071	(69,829)
Decrease (increase) in accounts receivables	89,544	11,114
Decrease (increase) in accounts receivables-related parties	(32,182)	48,773
Decrease (increase) in other receivables	7,162	(2,819)
Decrease (increase) in other receivables-related parties	(144)	(435)
Decrease (increase) in inventories	123,905	(273,319)
Decrease (increase) in prepayments	8,981	(1,719)
Decrease (increase) in other financial assets	(13,415)	7,482
Total net changes in operating assets	248,922	(280,752)
Net changes in operating liabilities		
Increase (decrease) in contract liabilities	(29,575)	29,948
Increase (decrease) in notes payables	(1,158)	1,190
Increase (decrease) in accounts payables	(224,890)	195,503
Increase (decrease) in accounts payables-related parties	(1,076)	859
Increase (decrease) in other payables	545	1,524
Increase (decrease) in provisions	181	1,172
Increase (decrease) in receipts in advance	609	1,399
Increase (decrease) in other current liabilities	(106)	246
Increase (decrease) in net defined benefit liabilities	(3,799)	(536)
Total net changes in operating liabilities	(259,269)	231,305
Total net changes in operating assets and liabilities	(10,347)	(49,447)
Total adjustments	72,931	3,265
Cash inflow (outflow) generated from operations	138,616	(32,714)
Interests received	5,576	2,777
(carried over)		

(brought forward)

KAO FONG MACHINERY CO., LTD
Parent Company Only Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Item	2022	2021
Dividend received	\$13,572	\$10,540
Interest paid	(44,512)	(32,243)
Income taxes returned (paid)	(188)	(1,850)
Net cash inflow (outflow) provided by operating activities	113,064	(53,490)
Cash flows from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	-	(43,635)
Disposal of financial assets at fair value through other comprehensive income	-	24,446
Refund from capital reduction of financial assets at fair value through other comprehensive income	1,237	-
Acquisition of investments accounted for using equity method	-	(33,776)
Disposal of investments accounted for using equity method	71,257	-
Acquisition of property, plant and equipment	(3,811)	(579,633)
Disposal of property, plant and equipment	-	75
Increase in refundable deposits	(630)	(3,453)
Decrease in refundable deposits	107	580
Increase in other receivables-related parties	(26,908)	76,395
Decrease in other receivables-related parties	78,468	(99,345)
Acquisition of intangible assets	(4,495)	(6,321)
Acquisition of right-of-use assets	-	(1,925)
Acquisition of investment properties	-	(33,385)
Net cash inflow (outflow) provided by investing activities	115,225	(699,977)
Cash flows from financing activities		
Increase in short-term borrowings	-	264,946
Decrease in short-term borrowings	(147,881)	-
Increase in short-term notes payables	40,000	-
Increase in long-term borrowings	2,120,000	2,131,100
Repayments of long-term borrowings	(2,140,110)	(1,579,072)
Increase in guaranteed deposits received	-	2,352
Decrease in guaranteed deposits received	(16)	-
Repayments of lease principal	(13,664)	(12,779)
Net cash inflow (outflow) provided by financing activities	(141,671)	806,547
Net increase (decrease) in cash and cash equivalents	86,618	53,080
Cash and cash equivalents at the beginning of period	269,077	215,997
Cash and cash equivalents at the end of period	\$355,695	\$269,077

(Please refer to the accompanying notes as an integral part of the parent company only financial statements.)

Chairman :

General Manager :

Accounting Officer :

Independent Auditors' Report

To KAO FONG MACHINERY CO., LTD :

Opinion

We have audited the accompanying financial statements of KAO FONG MACHINERY CO., LTD and subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 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 Group's consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2022 are stated as follows :

1. Revenue recognition

Please refer to Note 4.20 to the consolidated financial statements for the accounting policies of revenue recognition. Please refer to Note 5.1 3) to the consolidated financial statements for the significant accounting judgments, estimates, and assumptions of revenue recognition. Please refer to Note 6.24 to the consolidated financial statements for the details of revenue recognition.

Explanations to the key audit matter :

The operating revenue of the Group is principally arising from sales of products. The Group shall recognize revenue arising from the sales of products in normal operating activities when the customer obtains control of the products. It's the time when goods are transferred to a customer, and there's no remaining obligation that could affect the acceptance of the goods. Transfer is completed when the customer has accepted the products according to conditions of transactions, and the risk of obsolescence and lost is transferred to the customer,

The Group shall determine the time point of transferring control based on conditions of transactions and recognize revenue. The terms of transactions depend on contract terms. Therefore, we pay special attention to the correctness of the time point of recognizing sales revenue.

Audit procedures in response :

The audit procedures include obtaining understanding of and testing revenue recognition of products by management, and the effectiveness of relevant internal control, including confirming the conditions of sales contracts and whether the revenue is recognized appropriately. Furthermore, we performed the revenue cut-off testing to the transactions during a certain period prior and after the balance sheet date, and verified the delivery terms indicated on the sales contracts of products, and revenue recognition has been recorded in the appropriate period.

2. (Expected) impairment loss of receivables

Please refer to Note 4.7 to the consolidated financial statements for the accounting policies of evaluation of impairment loss of receivables. Please refer to Note 5.2 1) to the consolidated financial statements for the significant accounting judgments, estimates, and assumptions of evaluation of impairment loss of receivables. Please refer to Note 6.5 to the consolidated financial statements for the details of evaluation of impairment loss of receivables.

Explanations to the key audit matter :

The loss allowance of the Group is based on management's estimates to the expected credit losses by considering the credibility of sales customers, current market environment and specific conditions of customers, etc. Therefore, the evaluation involves management's subjective judgment to certain extent. The balance of receivables is significant to the financial statements, and the recovery risk increased due to current economic environment risk. Therefore, the test to the evaluation of (expected) impairment loss of receivables is one of the most important items of the audit.

Audit procedures in response :

The principal audit procedures include evaluating the appropriateness of the policies of setting aside loss allowance, testing the correctness of the aging of the receivables, analyzing the changes in aging and significant overdue accounts, evaluating the rationality of impairment loss of individual accounts receivables, confirming whether there is any impairment at the end of the period, and evaluating the recoverability by reviewing the recovery condition in subsequent period.

Other Matter

We have also audited the parent company only financial statements of KAO FONG MACHINERY CO., LTD as of and for the years ended December 31, 2022 and 2021 on which we have issued an unqualified 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 the 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, and for such internal control as management determines is necessary to enable the preparation of the 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 members of 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 from 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 financial statements or, if such disclosures are inadequate, we are required 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 appropriate audit evidence regarding the financial information of the 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 audit. We remain solely responsible for our audit opinion.

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

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

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

Crowe (TW) CPAs

CPA :

CPA :

Reference Number of the FSC Approval letter : No.
Financial-Supervisory-Securities-Auditing-10200032833
March 16, 2023

KAO FONG MACHINERY CO., LTD AND THE SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current Assets				
1100	Cash and cash equivalents (Note 4 and 6.1)	\$445,972	10	\$408,979	8
1110	Current financial assets at fair value through profit or loss (Note 4 and 6.2)	29,871	1	36,662	1
1120	Current financial assets at fair value through other comprehensive income(Note 4 and 6.3)	524,654	11	698,911	14
1150	Notes receivables, net (Note 6.4)	67,570	1	137,144	3
1170	Accounts receivables, net (Note 6.5)	298,710	6	345,764	7
1180	Accounts receivables-related parties , net(Note 6.5)	6,604	-	14,328	-
1200	Other receivables	6,721	-	13,831	-
1210	Other receivables– related parties	579	-	435	-
1220	Current tax assets	88	-	182	-
130x	Inventories (Note 4 and 6.6)	792,242	17	902,650	17
1410	Prepayments	28,052	1	35,500	1
1470	Other current assets	20,683	-	7,268	-
11xx	Total current assets	<u>2,221,746</u>	<u>47</u>	<u>2,601,654</u>	<u>51</u>
	Non-current Assets				
1517	Non-current financial assets at fair value through other comprehensive income (Note 6.7)	92,473	2	78,159	2
1550	Investments accounted for using equity method(Note 4 and 6.8)	66,871	1	67,746	1
1600	Property, plant, and equipment (Note 4 and 6.9)	1,608,152	35	1,639,452	31
1755	Right-of-use assets (Note 4 and 6.10)	236,548	5	248,755	5
1760	Investment properties , net(Note 4 and 6.11)	416,957	9	419,552	8
1780	Intangible assets (Note 4 and 6.12)	7,850	-	6,243	-
1840	Deferred tax assets	29,496	1	47,167	1
1920	Refundable deposits	6,345	-	5,399	-
1930	Long-term notes and accounts receivable (Note 6.13)	1,895	-	29,669	1
1990	Other non-current assets-others	421	-	1,916	-
15xx	Total non-current assets	<u>2,467,008</u>	<u>53</u>	<u>2,544,058</u>	<u>49</u>
1xxx	Total assets	<u>\$4,688,754</u>	<u>100</u>	<u>\$5,145,712</u>	<u>100</u>

(carried over)

(brought forward)

KAO FONG MACHINERY CO., LTD AND THE SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Code	Liabilities and Equity	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current Liabilities				
2100	Short-term borrowings (Note 6.14)	\$780,115	17	\$889,207	18
2110	Short-term notes payables (Note 6.15)	150,000	3	110,000	2
2130	Current contract liabilities (Note 6.24)	92,300	2	99,906	2
2150	Notes payables	58	-	1,216	-
2170	Accounts payables	196,738	4	425,377	8
2180	Accounts payables –related parties	-	-	792	-
2200	Other payables	76,371	2	76,172	1
2230	Current tax liabilities	3,728	-	277	-
2250	Current provisions (Note 4 and 6.16)	9,491	-	9,272	-
2280	Current lease liabilities(Note 6.10)	13,480	-	13,585	-
2310	Receipts in advance	2,008	-	1,399	-
2320	Long-term liabilities-current portion(Note 6.17)	57,054	1	187,867	4
2399	Other current liabilities-others	1,046	-	1,121	-
21xx	Total current liabilities	1,382,389	29	1,816,191	35
	Non-current Liabilities				
2540	Long-term borrowings (Note 6.17)	1,246,251	27	1,154,119	23
2570	Deferred tax liabilities	2,236	-	319	-
2580	Non-current lease liabilities (Note 6.10)	213,081	5	222,159	4
2640	Net defined benefit liability, non-current (Note 4 and 6.18)	5,325	-	14,345	-
2645	Guaranteed deposits received	3,180	-	3,012	-
25xx	Total non-current liabilities	1,470,073	32	1,393,954	27
2xxx	Total liabilities	2,852,462	61	3,210,145	62
	Equity				
	Equity attributable to the owner of the parent company				
3100	Share capital (Note 4 and 6.19)	1,080,107	22	1,080,107	22
3200	Capital surplus (Note 6.20)	270,497	6	270,497	5
3300	Retained earnings (Note 6.21)	312,766	7	258,250	5
3400	Other equity (Note 6.22)	170,780	4	322,276	6
31xx	Total equity attributable to the owner of the parent company	1,834,150	39	1,931,130	38
36xx	Non-controlling interests (Note 6.23)	2,142	-	4,437	-
3xxx	Total equity	1,836,292	39	1,935,567	38
	Total liabilities and equity	\$4,688,754	100	\$5,145,712	100

(Please refer to the accompanying notes as an integral part of the consolidated financial statements.)

Chairman :

General Manager :

Accounting Officer :

KAO FONG MACHINERY CO., LTD AND THE SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Code	Item	2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (Note 4 and 6.24)	\$2,050,389	100	\$1,957,939	100
5000	Operating costs (Note 6.6)	(1,639,827)	(80)	(1,665,175)	(85)
5900	Net gross profit (loss)	410,562	20	292,764	15
	Operating expenses				
6100	Selling expenses	(212,971)	(11)	(195,551)	(10)
6200	Administrative expenses	(82,873)	(4)	(68,691)	(4)
6300	Research and development expenses	(54,552)	(3)	(48,919)	(2)
6450	Expected credit impairment reversal gain (loss)	(7,499)	-	370	-
6000	Total operating expenses	(357,895)	(18)	(312,791)	(16)
6900	Net operating income (loss)	52,667	2	(20,027)	(1)
	Non-operating income and expenses				
7100	Interest revenue (Note 6.26)	4,725	-	2,929	-
7010	Other revenue (Note 6.27)	47,580	2	32,083	2
7020	Other gains and losses (Note 4 and 6.28)	11,897	1	(16,641)	(1)
7050	Finance cost (Note 4 and 6.29)	(45,053)	(2)	(32,620)	(2)
7060	Share of profit or loss of associates and joint ventures accounted for using equity method	(875)	-	(254)	-
7000	Total non-operating income and expenses	18,274	1	(14,503)	(1)
7900	Profit (loss) before tax	70,941	3	(34,530)	(2)
7950	Income tax benefits (expenses) (Note 4 and 6.30)	(24,348)	(1)	(542)	-
8000	Profit (loss) from continuing operations	46,593	2	(35,072)	(2)
8200	Profit (loss)	46,593	2	(35,072)	(2)
	Other comprehensive income (Note 6.31)				
	Items not to be reclassified into profit or loss				
8311	Remeasurements of defined benefit plans	5,221	-	2,751	-
8316	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	(158,707)	(8)	(94,179)	(5)
8349	Income tax related to items of other comprehensive income that will not be reclassified to profit or loss	(2,735)	-	2,332	-
8310	Total items not to be reclassified into profit or loss	(156,221)	(8)	(89,096)	(5)
	Items that may be subsequently reclassified into profit or loss				
8361	Exchange differences on translation of foreign financial statements	12,839	1	(2,201)	-
8399	Income tax related to items of other comprehensive income that will be reclassified to profit or loss	(2,486)	-	418	-
8360	Total items that may be subsequently reclassified into profit or loss	10,353	1	(1,783)	-
8300	Other comprehensive income, net of tax	(\$145,868)	(7)	(\$90,879)	(5)
8500	Total comprehensive income	(\$99,275)	(5)	(\$125,951)	(7)
8600	Profit (loss) attributable to :				
8610	Owner of the parent company (profit/loss)	\$49,295	2	(\$36,126)	(2)
8620	Non-controlling interests (profit/loss)	(2,702)	-	1,054	-
		\$46,593	2	(\$35,072)	(2)
8700	Total comprehensive income attributable to :				
8710	Owner of the parent company (comprehensive income)	(\$96,980)	(5)	(\$126,896)	(7)
8720	Non-controlling interests (comprehensive income)	(2,295)	-	945	-
		(\$99,275)	(5)	(\$125,951)	(7)
	Earnings per share				
9750	Basic earnings per share (Note 6.32)	\$0.46		(\$0.33)	
9850	Diluted earnings per share (Note 6.32)	\$0.46		(\$0.33)	

(Please refer to the accompanying notes as an integral part of the consolidated financial statements.)

Chairman :

General Manager :

Accounting Officer :

KAO FONG MACHINERY CO., LTD AND THE SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Item	Equity attributable to the owner of the parent company									
	Retained earnings					Other equity				
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (or accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	Equity attributable to the owner of the parent company	Non-controlling interests	Total equity
Balance at January 1, 2021	\$1,080,107	\$270,497	\$86,023	\$8,680	\$178,812	(\$24,596)	\$458,503	\$2,058,026	\$3,492	\$2,061,518
Profit (loss) for the year ended December 31, 2021	-	-	-	-	(36,126)	-	-	(36,126)	1,054	(35,072)
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	2,751	(1,674)	(91,847)	(90,770)	(109)	(90,879)
Total comprehensive income	-	-	-	-	(33,375)	(1,674)	(91,847)	(126,896)	945	(125,951)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	18,110	-	(18,110)	-	-	-
Balance at December 31, 2021	\$1,080,107	\$270,497	\$86,023	\$8,680	\$163,547	(\$26,270)	\$348,546	\$1,931,130	\$4,437	\$1,935,567
Balance at January 1, 2022	\$1,080,107	\$270,497	\$86,023	\$8,680	\$163,547	(\$26,270)	\$348,546	\$1,931,130	\$4,437	\$1,935,567
Profit (loss) for the year ended December 31, 2022	-	-	-	-	49,295	-	-	49,295	(2,702)	46,593
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	5,221	9,946	(161,442)	(146,275)	407	(145,868)
Total comprehensive income	-	-	-	-	54,516	9,946	(161,442)	(96,980)	(2,295)	(99,275)
Balance at December 31, 2022	\$1,080,107	\$270,497	\$86,023	\$8,680	\$218,063	(\$16,324)	\$187,104	\$1,834,150	\$2,142	\$1,836,292

(Please refer to the accompanying notes as an integral part of the consolidated financial statements.)

Chairman :

General Manager :

Accounting Officer :

KAO FONG MACHINERY CO., LTD AND THE SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Item	2022	2021
Cash flows from operating activities		
Profit (loss) before tax	\$70,941	(\$34,530)
Adjustments		
Items of income and expenses		
Depreciation expenses	63,381	62,833
Amortization expenses	2,889	588
Expected credit losses (benefits)	7,499	(370)
Net losses (gains) from financial assets and liabilities at fair value through profit or loss	7,556	2,157
Interest expenses	45,053	32,620
Interest revenue	(4,725)	(2,929)
Dividend revenue	(12,451)	(10,549)
Share of losses (profits) of associates and joint ventures accounted for using equity method	875	254
Losses (gains) from disposal of property, plant and equipment	-	(57)
Losses (gains) from disposal of investments	6,186	(3,172)
Total items of income and expense	116,263	81,375
Changes in operating assets and liabilities		
Net changes in operating assets		
Decrease (increase) in notes receivables	70,277	(30,677)
Decrease (increase) in accounts receivables	66,541	67,200
Decrease (increase) in accounts receivables-related parties	7,802	(751)
Decrease (increase) in other receivables	7,137	(943)
Decrease (increase) in other receivables-related parties	(144)	(435)
Decrease (increase) in inventories	110,408	(300,340)
Decrease (increase) in prepayments	8,943	5,341
Decrease (increase) in other financial assets	(13,415)	7,482
Total net changes in operating assets	257,549	(253,123)
Net changes in operating liabilities		
Increase (decrease) in contract liabilities	(7,606)	27,018
Increase (decrease) in notes payables	(1,158)	1,190
Increase (decrease) in accounts payables	(228,639)	187,198
Increase (decrease) in accounts payables-related parties	(792)	500
Increase (decrease) in other payables	(62)	4,450
Increase (decrease) in provisions	218	1,118
Increase (decrease) in receipts in advance	609	1,399
Increase (decrease) in other current liabilities	(75)	254
Increase (decrease) in net defined benefit liabilities	(3,799)	(536)
Total net changes in operating liabilities	(241,304)	222,591
Total net changes in operating assets and liabilities	16,245	(30,532)
Total adjustments	132,508	50,843
Cash inflow (outflow) generated from operations	203,449	16,313
Interests received	4,698	2,929
Dividends received	12,451	10,549
(carried over)		

(brought forward)

KAO FONG MACHINERY CO., LTD AND THE SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Item	2022	2021
Interest paid	(\$44,873)	(\$32,242)
Income taxes returned (paid)	(4,948)	(2,260)
Net cash inflow (outflow) provided by operating activities	170,777	(4,711)
Cash flows from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	-	(43,635)
Disposal of financial assets at fair value through other comprehensive income	-	24,446
Refund from capital reduction of financial assets at fair value through other comprehensive income	1,237	-
Acquisition of financial assets at fair value through profit or loss	(33,203)	(38,707)
Disposal of financial assets at fair value through profit or loss	33,031	32,103
Acquisition of investments accounted for using equity method	-	(33,776)
Acquisition of property, plant and equipment	(9,503)	(602,619)
Disposal of property, plant and equipment	-	75
Increase in refundable deposits	(1,078)	(3,537)
Decrease in refundable deposits	132	4,762
Acquisition of intangible assets	(4,495)	(6,416)
Acquisition of right-of-use assets	-	(2,160)
Acquisition of investment properties	-	(33,385)
Net cash inflow (outflow) provided by investing activities	(13,879)	(702,849)
Cash flows from financing activities		
Increase in short-term borrowings	-	264,947
Decrease in short-term borrowings	(109,092)	-
Increase in short-term notes payables	40,000	-
Increase in long-term borrowings	2,120,000	2,140,976
Repayments of long-term borrowings	(2,159,014)	(1,586,549)
Increase in guaranteed deposits received	184	2,352
Decrease in guaranteed deposits received	(16)	-
Repayments of lease principal	(13,885)	(12,780)
Net cash inflow (outflow) provided by financing activities	(121,823)	808,946
Effect of movements in exchange on cash and cash equivalents	1,918	(827)
Net increase (decrease) in cash and cash equivalents	36,993	100,559
Cash and cash equivalents at the beginning of period	408,979	308,420
Cash and cash equivalents at the end of period	\$445,972	\$408,979

(Please refer to the accompanying notes as an integral part of the consolidated financial statements.)

Chairman :

General Manager :

Accounting Officer :

KAO FONG MACHINERY CO., LTD
Table of Amendments to the Articles of Incorporation

Article No.	After Amendment	Before Amendment	Reason for Amendment
Article 9-1	<u>The Company's shareholders' meetings may be held by video conference or other means announced by the Central Government.</u>		The shareholders' meeting of the Company may be held by video conference or other means announced by the Central Government in accordance with Article 172-2 of the Company Act.
Article 13	If a shareholder is unable to attend a shareholders' meeting for any reason, he/she may appoint a proxy by presenting a proxy form issued by the Company, specifying the scope of authorization. If a proxy is appointed by more than two shareholders at the same time, the portion of the proxy's voting rights that exceeds 3% of the total number of outstanding shares shall not be counted. A shareholder may issue one proxy form, limited to one person, which should be delivered to the Company or the Company's designated stock agency no later than five days prior to the shareholders' meeting.	If a shareholder is unable to attend a shareholders' meeting for any reason, he/she may appoint a proxy by presenting a proxy form issued by the Company, <u>stamp with the seal kept under the Company</u> , specifying the scope of authorization. If more than two shareholders appoint a proxy at the same time, the portion of the proxy's voting rights that exceeds 3% of the total number of outstanding shares shall not be counted. A shareholder may issue one proxy form, limited to one person, which should be delivered to the Company or the Company's designated stock agency no later than five days prior to the shareholders' meeting.	Amended in accordance with Article 177 of the Company Act.
Article 29	Any matters not covered by these Articles of Incorporation shall be governed by the provisions of the Company Act. This chapter was established on January 10, 1979. The first amendment was made on October 18, 1980. The second amendment was made on December 26, 1981. (3rd to 25th amendments omitted) The 26th amendment was made on June 12, 2015. The 27th amendment was made on June 20, 2016. The 28th amendment was made on June 13, 2018. The 29th amendment was made on June 11, 2019. The 30th amendment was made on June 11, 2020. <u>The 31st amendment was made on June 14, 2023.</u>	Any matters not covered by these Articles of Incorporation shall be governed by the provisions of the Company Act. This chapter was established on January 10, 1979. The first amendment was made on October 18, 1980. The second amendment was made on December 26, 1981. (3rd to 25th amendments omitted) The 26th amendment was made on June 12, 2015. The 27th amendment was made on June 20, 2016. The 28th amendment was made on June 13, 2018. The 29th amendment was made on June 11, 2019. The 30th amendment was made on June 11, 2020.	Added the date of this amendment.

KAO FONG MACHINERY CO., LTD
Rules of Procedure for Shareholders Meetings

Article 1

In order to establish proper governance of the Company's shareholders' meeting, improve the supervision and strengthen the management ability, the Company has established these rules in accordance with Article 5 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Article 2

Unless otherwise provided in the law or the Articles of Incorporation, the Rules of Procedure of the Company's shareholders' meetings shall be governed by these Rules.

Article 3

Unless otherwise provided by law, meetings of shareholders of the Company shall be convened by the Board of Directors.

Any changes in the manner of holding a shareholders' meeting shall be resolved by the Board of Directors and shall be made no later than the date on which the notice of the shareholders' meeting is mailed.

The Company shall prepare and submit the notice of shareholders' meeting, the proxy form, information and explanation of the proposals for ratification, discussion, election or dismissal of Directors and Supervisors to the Market Observation Post System (MOPS) as electronic files 30 days prior to the shareholders' meeting or 15 days prior to the extraordinary general meetings. The shareholders' meeting handbook and supplementary information will be electronically submitted to MOPS no later than 21 days prior to the shareholders' meeting or 15 days prior to the extraordinary general meetings. 15 days prior to the shareholders' meeting, the shareholders' meeting handbook and supplementary information will be made available to shareholders at any time and displayed at the Company and the Company's appointed stock agency.

The aforementioned handbook and supplementary information shall be made available to shareholders on the date of the meeting in the following manner:

1. If a physical shareholders' meeting is held, it shall be distributed on site at the shareholders' meeting.
2. When a hybrid shareholder's meeting is held, it shall be distributed onsite at the shareholders' meeting and electronically submitted to the video conferencing platform.
3. When a video shareholders' meeting is held, it shall be submitted to the video conference platform in electronic format.

The notice and announcement shall state the reason for the meeting; the notice may be given electronically with the consent of the relevant parties.

The election or dismissal of Directors or Supervisors, change of Articles of Incorporation, reduction of capital, application for suspension of public offering, permission of Directors' competition, transfer of capital from surplus to capital, Capital surplus transferred to common stock, dissolution, merger, division of the Company, or the matters in Paragraph 1 of Article 185 of the Company Act, Article 26-1 and 43-6 of the Securities and Exchange Act, Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, shall be listed in the reasons for the meeting and the main contents shall be stated, and shall not be presented in an extempore motion.

After the completion of the election of Directors and Supervisors and the date of their appointment, the date of their appointment shall not be changed by extempore motion or other means at the same meeting.

Shareholders holding at least 1% of the total number of issued shares may submit a proposal to the Company for shareholders' meeting, subject to the limit of one proposal, and any proposal exceeding one shall not be included in the motion. In addition, the Board of Directors may not include a proposal submitted by a shareholder under any of the circumstances set forth in Article 172-1, Paragraph 4 of the Company Act. A shareholder may propose a proposal to promote the public interest or fulfill social responsibility of the Company, but the procedure shall be limited to one proposal in accordance with Article 172-1 of the Company Act, and any proposal exceeding one shall not be included in the motion.

The Company shall announce the acceptance of shareholders' proposals, written or electronic means of acceptance, the place of acceptance and the period of acceptance before the date of cessation of stock transfer prior to the shareholders' meeting; the processing period shall not be less than ten days.

The proposal of a shareholder shall be limited to 300 words, and if the proposal exceeds 300 words, the proposal shall not be included in the motion; the proposing shareholder shall attend the shareholders' meeting in person or by proxy and participate in the discussion of the proposal.

The Company shall notify the proposing shareholder of the results of the proceedings before the date of the notice of the shareholders' meeting and shall list the proposals that meet the requirements of this Article in the notice of the meeting. The Board of Directors shall state the reasons for not including the proposal in the shareholders' meeting.

Article 4

A shareholder may appoint a proxy to attend each shareholders' meeting by presenting a proxy form issued by the Company, stating the scope of authority, to attend the meeting.

A shareholder shall issue a proxy, limited to one person, which shall be delivered to the Company 5 days prior to the shareholders' meeting, and in the event of duplicate proxies, the first to be delivered shall prevail. However, a declaration of revocation of a previous proxy shall be excluded.

If a shareholder wishes to attend a shareholders' meeting in person or to exercise his or her voting rights in writing or by electronic means after the proxy form has been delivered to the Company, a written notice of revocation shall be given to the Company 2 days prior to the shareholders' meeting; in the event of late revocation, the voting rights shall be exercised in the presence of the proxy.

If a shareholder wishes to attend a shareholders' meeting by video after the proxy form has been delivered to the Company, a written notice of revocation shall be given to the Company 2 days prior to the shareholders' meeting; if the revocation is overdue, the right to vote shall be exercised by the presence of the proxy.

Article 5

The shareholder's meeting shall be held either at the Company's registered office or at a convenient location for shareholders to attend and suitable for the meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m., and the time and place of the meeting shall take into full consideration the opinions of the Independent Directors.

When the Company convenes a shareholders' meeting by video conference, it is not subject to the restriction on the venue of the meeting.

Article 6

The Company shall specify in the notice of the meeting the time and place for the shareholders, Solicitor, and proxy (hereinafter referred to as shareholders) to report to the meeting, and other matters to be noted.

The aforementioned time for receiving shareholders' report shall be at least 30 minutes prior to the start of the meeting; the place of registration shall be clearly marked, and adequate and appropriate personnel shall be assigned to handle the registration; the video conference of shareholders' meeting shall be registered on the video conference platform at least 30 minutes prior to the start of the meeting, and shareholders who have completed the registration shall be deemed to attend the shareholders' meeting in person.

A shareholder or a proxy appointed by a shareholder (hereinafter referred to as a shareholder) shall attend the shareholders' meeting with an attendance card, attendance registration card, or other attendance documents, and the Company shall not arbitrarily require other documents to be provided as proof of the shareholder's attendance.

The Company shall prepare an attendance book for the attending shareholders to sign in, or the attending shareholders shall hand in their attendance cards to sign in instead.

The Company shall deliver the shareholders' handbook, annual report, attendance cards, speaker's slips, voting slips, and other meeting materials to the shareholders attending the shareholders' meeting; if there is an election of Directors or Supervisors, separate voting slips shall be included.

If the government or a legal entity is a shareholder, there is no limit on the number of representatives who can attend the shareholders' meeting. If a legal entity is entrusted to attend a

shareholders' meeting, it may appoint only one representative to attend.

If a shareholders' meeting is held by video conference, shareholders who wish to attend the meeting by video should register with the Company at least 2 days prior to the shareholders' meeting.

If a shareholders' meeting is held by video conference, the Company shall upload the meeting handbook, annual report, and other relevant information to the video conference platform at least 30 minutes prior to the start of the meeting and continue to disclose them until the end of the meeting.

Article 6-1

When the Company holds a video conference for shareholders, the following matters shall be set forth in the notice of the shareholders' meeting:

1. How shareholders can participate in the video conference and exercise their rights.
2. The methods of handling difficulties caused by natural disasters, accidents, or other force majeure on the video conference platform or by video participation, including at least the following:
 - (1) The date of the meeting has to be postponed or resumed due to the continued failure to resolve the obstacle.
 - (2) Shareholders who have not registered to participate in the shareholders' meeting by video are not allowed to participate in the postponed or resumed meeting.
 - (3) If a hybrid shareholder's meeting cannot be continued, the shareholders' meeting shall be continued if the total number of shares present reaches the legal quota for the shareholders' meeting after deducting the number of shares present at the shareholders' meeting by means of video, and the number of shares present at the shareholders' meeting by means of the video shall be counted as the total number of shares present, and all motions at the shareholders' meeting shall be deemed to be abstained.
 - (4) In the event that all the motions have been announced but the extempore motion has not been carried out, the way to handle the situation.
3. A video shareholders' meeting shall be held and shall include appropriate alternative measures for shareholders who have difficulty participating in the shareholders' meeting by video means.

Article 7

When a shareholders' meeting is convened by the Board of Directors, in case the Chairman is on leave or absent or cannot exercise their power and authority for any cause, Deputy Chairman shall act on their behalf. If no Deputy Chairman or Deputy Chairman is also unavailable, the Chairman shall designate one of the Executive Directors to act on their behalf. If there is no Executive Director, one of the Directors shall be appointed. Executive Directors and Directors shall elect one among themselves to act as the Chair when the Chairman does not assign a designation.

The designated Executive Director or Director shall be in business for at least six months and is familiar with the finance and the business of the Company. The same applies when the juridical person is designated as Chair.

When the Chairman of the Board of Directors convenes the meeting, Chairman, the majority of the Board of Directors, at least one Supervisor, and at least one member of each functional committee shall attend in person, and the attendance shall be recorded in the meeting minutes.

If a shareholders' meeting convene is by a party with the power to do so, such meetings other than the Board of Directors, said person shall chair the meeting.

If a shareholders' meeting is convened by a person other than the Board of Directors, the chair of the meeting shall be that person. If more than two persons have the right to convene the meeting, one shall be elected from among themselves.

The Company may designate its attorney, CPA, or other relevant persons to attend the shareholders' meeting.

Article 8

The Company shall continuously and uninterruptedly make an audio and video recording of the entire proceedings of a shareholders' meeting from the time of registration of shareholders, the meeting process, and the process of voting and vote counting.

The aforementioned audio and video materials shall be kept for at least one year. However, if a shareholder files a pursuant to Article 189 of the Company Act, it shall be retained until the

conclusion of the litigation.

If a shareholders' meeting is held by video conference, the Company shall keep records of shareholders' registration, sign-in, questions raised, and voting and the Company's vote counting results and retain the records, while making an uninterrupted audio and video recording of the entire video conference.

The above-mentioned materials and audio and video recordings shall be properly kept by the Company for the duration of the Company's existence., and the audio and video recordings shall be provided to those who are entrusted to handle the video conference affairs for storage.

If a shareholders' meeting is convened by video conference, the Company is advised to make an audio and video recording of the back-end interface of the video conference platform.

Article 9

Attendance at shareholders' meetings shall be calculated based on the number of shares. The number of shares present shall be calculated based on the number of shares reported in the attendance book or on the attendance card and the video conference platform, plus the number of shares exercising the voting rights by written or electronic means.

At the time of the meeting, the chair shall immediately call for the meeting and at the same time announce the number of non-voting shares and the number of shares present, and other relevant information.

The chair shall call the meeting to order upon the meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If attending shareholders still represent less than one third of the total number of issued shares after two postponements, the chair shall declare the meeting adjourned. If a shareholders' meeting is convened by video conference, the Company shall also declare the meeting adjourned on the video conference platform.

If there are not enough shareholders, while representing at least one-third of outstanding shares after two postponements, tentative resolutions may be passed in accordance with Article 175, paragraph 1 of the Company Act. Shareholders shall be notified of the tentative resolutions, and another shareholders' meeting will be convened within one month. If a shareholders' meeting is convened by video conference, shareholders who wish to attend by video conference shall re-register with the Company in accordance with Article 6.

When, prior to the conclusion of the meeting, the attending shareholders represent a majority of the total number of outstanding shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 10

If the Board of Directors convenes a shareholders' meeting, the agenda shall be formulated by the Board of Directors. The relevant motions (including extempore motions and amendments to original motions) shall be voted upon on a case-by-case basis. The meeting shall proceed in accordance with the scheduled agenda, which shall not be changed without a resolution made by the shareholders' meeting.

If a shareholders' meeting is by a party with the power to convene such meetings other than the Board of Directors, the preceding paragraph shall apply.

If the chair violates the rules of procedure and adjourns the meeting, the other members of the board of directors shall promptly assist the shareholders present in accordance with the legal procedures and elect a chair of the meeting with the consent of the majority of the shareholders present to vote and continue the meeting.

The chairman of the board of directors shall give sufficient opportunity to the amendment motion and the extempore motion proposed by the shareholders to explain and discuss the motion, and when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote, and arrange an appropriate time for voting.

Article 11

Before a shareholder speaks, the shareholder must fill out a speaker's slips specifying therein the major points of their speech, shareholder account number (or attendance card number) and account name, and the chair shall determine their order of giving a speech.

A shareholder who attends the meeting and provides a speech without speaking is deemed to have yet to speak.

If the content of the speech does not correspond to that of the speaker's slip, the content of the speech shall prevail.

A shareholder who submits a speech slip without giving a speech shall be considered as not having given a speech. If the contents of the speech are different from those specified on the slip, the contents of their speech shall prevail. When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair; the chair shall stop any violation.

If a juristic person shareholder designates two or more representatives to attend a shareholders' meeting, only one person may speak on the same motion.

After the shareholders have spoken, the chairman may reply personally or designate the relevant person to reply.

If a shareholders' meeting is convened by video conference, shareholders participating by video may ask questions by text on the video conference platform after the chair call the meeting to order and before the meeting is adjourned, and the number of questions shall not exceed two for each motion, and each question shall be limited to 200 words. Not applicable to the first to fifth provisions.

If the aforementioned question does not violate the regulations or is within the scope of the motion, it is appropriate to disclose the question on the video conference platform of the shareholders' meeting for the purpose of informing the shareholders.

Article 12

Voting at a shareholders' meeting shall be based on the number of shares.

The number of shares of non-voting shareholders shall not be counted as part of the total number of issued shares in the shareholders' meeting.

A shareholder may not vote at a meeting if the shareholder has a personal interest in the matter that would be detrimental to the Company's interests and may not exercise the voting rights on behalf of another shareholder.

The number of non-voting shares mentioned above shall not be counted as the number of voting rights of the shareholders present.

Except for a trust company or a stock agency approved by the securities authority, the voting rights of one person appointed by more than two shareholders at the same time shall not exceed 3% of the total voting rights of the issued shares, and the voting rights in excess of that shall not be counted.

Article 13

Shareholders shall have one vote per share, except for those subject to restriction from voting or those listed in Article 179(2) of the Company Act.

When the Company convenes a shareholders' meeting, the Company may exercise its voting rights by electronic means or in writing; the method of exercising the voting rights by written or electronic means shall be set forth in the notice of the shareholders' meeting. A shareholder shall be deemed to be present in person at a shareholders' meeting if the shareholder exercises the voting right in writing or electronically. However, the extempore motion and the amendment to the original motion for such shareholders' meeting shall be deemed to be waived, and therefore the Company is advised to refrain from proposing the extempore motion and the amendment to the original motion.

When exercising the right to vote by written or electronic means as described above, the decision of the voting means shall be delivered to the Company two days prior to the shareholders' meeting. In the event of duplication, the first to be delivered shall prevail. However, if the declaration revokes the previous decision, this shall not apply.

If a shareholder wishes to attend a shareholders' meeting in person or by video after exercising the voting right in writing or by electronic means, they shall revoke their intention to exercise their voting right in the same manner as they exercised their voting right two days prior to the shareholders' meeting; if the revocation is made afterwards, the voting right exercised in writing or by electronic means shall prevail. If a proxy is appointed in writing or by electronic means to attend the shareholders' meeting, the proxy shall prevail.

Except as otherwise provided in the Company Act and this Article of Incorporation, a resolution

shall be approved by more than half of the votes of the shareholders present. In the event of a vote, the Chairman of the Proposal or designee shall announce the total number of votes of shareholders present, and then the shareholders shall vote on each case, and the results of the shareholders' approval, disapproval and abstention shall be entered into the Market Observation Post System on the day after the shareholders' meeting.

If there are amendments or substitutions to the same motion, the chair shall determine the order of voting on them along with the original motion. If one of the motions has been approved, the other motions shall be deemed to be rejected and no further voting shall be required.

The chair shall designate the person who shall monitor and count the votes on the motion, but the monitor must be a shareholder.

The vote counting operation for the shareholders' meeting shall be conducted in an open place at the shareholders' meeting, and the voting results, including the number of votes counted, shall be announced and recorded on the spot after the vote counting is completed.

For shareholders who participate by video conference, the voting on the motions and election motions shall be conducted through the video conference platform after the chair call the meeting to order and shall be completed before the chair announces the end of the voting, and any delay shall be deemed as abstention.

If a shareholders' meeting is convened by video conference, the chair shall announce the end of the voting and announce the voting and election results for a single count.

When the Company convenes a hybrid shareholder's meeting, shareholders who have registered to attend the shareholders' meeting by video in accordance with Article 6 and wish to attend the physical shareholders' meeting in person shall deregister in the same manner as they registered two days prior to the shareholders' meeting; if they deregister after the deadline, they may attend the shareholders' meeting by video only.

Those who exercise their voting rights by written or electronic means without revoking their intention and participate in the shareholders' meeting by video means are prohibited from exercising their voting rights on the original motion or proposing amendments to the original motion or exercising their voting rights on amendments to the original motion, except for extempore motion.

Article 14

In the event of the election of Directors and Supervisors at the shareholders' meeting, the election results shall be announced on the spot, including the list of elected Directors and Supervisors and the number of their elected votes, as well as the list of unelected Directors and Supervisors and the number of their elected votes.

The election votes for the aforementioned election shall be sealed and signed by the scrutineers and kept in a safe place for at least one year. However, if a shareholder files a pursuant to Article 189 of the Company Act, it shall be retained until the conclusion of the litigation.

Article 15

Resolutions adopted at a shareholders' meeting shall be recorded in the minutes, signed or sealed by the chair, and distributed to the shareholders within 20 days after the meeting. The minutes shall be prepared and distributed by electronic means.

The Company may distribute the previous minutes through announcements posted on the Market Observation Post System.

The meeting date, month, day, place, name of the chair, method of resolution, main points of the proceedings and voting results (including the number of votes counted) shall be recorded, and in the case of election of Directors and Supervisors, the number of votes received by each candidate shall be disclosed. The records shall be kept permanently for the duration of the Company's existence.

If a shareholders' meeting is convened by video conference, the minutes of the meeting shall include, in addition to the matters required to be recorded in the preceding Article, the starting and ending time of the shareholders' meeting, the manner in which the meeting is convened, the names of the chair and the minutes taker, and the manner and circumstances under which the video conference platform or video participation may be obstructed due to natural disasters, accidents, or other force majeure should also be included. In addition to the aforementioned provisions, the Company shall convene a video shareholders' meeting and shall include in the minutes of the meeting alternative measures for shareholders who have difficulties in participating in the

shareholders' meeting by means of video.

Article 16

The number of shares solicited by the solicitor, the number of shares represented by proxy, and the number of shares attended by shareholders in writing or electronically shall be clearly disclosed in the shareholders' meeting on the date of the shareholders' meeting in a statistical form prepared in accordance with the prescribed format; if the shareholders' meeting is held by video conference, the Company shall upload the aforementioned information to the video conference platform of the shareholders' meeting at least thirty minutes before the meeting begins and continue to disclose it until the meeting ends.

The Company shall disclose the total number of shares of shareholders present on the video conference platform at the time of announcing the opening of the shareholders' meeting. The same applies if the total number of shares and voting rights of shareholders present are also counted during the meeting.

If the resolution of the shareholders' meeting is a material information required by laws and regulations or by the Taiwan Stock Exchange Corporation (Taipei Exchange), the Company shall submit the content to the Market Observation Post System (MOPS) within the prescribed time.

Article 17

The meeting personnel conducting the shareholders' meeting shall wear identification cards or armbands.

The chair of the meeting may direct the picketers or security personnel to assist in maintaining order at the meeting. When the inspectors or security guards are present to assist in maintaining order, they shall wear an armband or identification badge with the word "picketeer".

If the meeting venue is equipped with sound amplifying equipment, the chair may stop the shareholders from speaking other than through the equipment provided by the Company.

If a shareholder disobeys the chair's correction for violation of the rules of procedure and obstructs the proceedings of the meeting, the chair may ask the picketers or security personnel to ask the shareholder to leave the meeting room.

Article 18

In the event of an unavoidable situation, the chair may rule to temporarily suspend the meeting and announce the time of resumption of the meeting as appropriate.

If the meeting venue cannot be used before the end of the meeting (including extempore motion), the shareholders' meeting may decide to find another venue to continue the meeting. In accordance with Article 182 of the Company Act, the shareholders' meeting may resolve to postpone or resume the meeting within five days.

Article 19

If a shareholders' meeting is held by video conference, the Company shall disclose the voting results of each motion and election results on the video conference platform of the shareholders' meeting immediately after the close of voting in accordance with the regulations and shall continue to do so for at least fifteen minutes after the meeting is adjourned by the chair.

Article 20

When the Company holds a video shareholders' meeting, the Chair and the minute taker shall be at the same location in Taiwan, and the chair shall disclose the address of the place when calling the meeting to order.

Article 21

If a shareholders' meeting is held by video conference, the Company may provide a brief connection test for shareholders before the meeting and provide related services immediately before and during the meeting to assist in handling technical problems of communication.

If a shareholders' meeting is convened by video conference, the chairman shall announce at the time of the opening of the meeting that, except for the circumstances specified in Article 44, Paragraph 20-4 of the Regulations Governing the Administration of Shareholder Services of Public Companies that do not require the adjournment or continuation of the meeting. If, prior to the adjournment of the meeting by the chair, a natural disaster, event or other unavoidable

circumstance causes an obstacle to participation on the video conference platform or by means of video conferencing that lasts for more than 30 minutes, the meeting shall be postponed within five days. The date of the meeting shall not be subject to the provisions of Article 182 of the Company Act.

In the event of an adjournment or renewal of a meeting, shareholders who have not registered to participate in the original shareholders' meeting by video shall not participate in the postponed or resumed meeting.

If a shareholder who has registered to attend the original shareholders' meeting by video conference and has completed the registration process is not present at the postponed or resumed meeting, the number of shares present at the original shareholders' meeting and the voting rights and election rights exercised shall be counted as the total number of shares, voting rights and election rights of the shareholders present at the postponed or resumed meeting.

In the event that a shareholders' meeting is postponed or resumed in accordance with the provisions of Paragraph 2, there is no need to discuss and resolve a motion that has completed the voting and counting of votes and announced the voting results or the election of directors and supervisors.

In the event that the Company convenes a hybrid shareholder's meeting and is unable to resume the video conference in accordance with Paragraph 2, if the total number of shares present still reaches the legal quota for the shareholders' meeting after deducting the number of shares present at the shareholders' meeting by video, the shareholders' meeting shall continue without any postponement or resume of the meeting in accordance with Paragraph 2.

In the event that a meeting should be continued, the number of shares attended by shareholders participating in the meeting by video shall be counted as the total number of shares of shareholders present but shall be deemed to abstain for the purpose of all motions at that meeting.

If the Company postpones or resumes a meeting in accordance with the second paragraph, the Company shall follow the provisions set forth in Article 44, Paragraph 20-7 of the Regulations Governing the Administration of Shareholder Services of Public Companies and shall complete the relevant prior operations in accordance with the date of the original shareholders' meeting and the provisions of each Article.

If a public company attends a shareholders' meeting using the period specified in the latter part of Article 12 and Article 13, Paragraph 3 of the Proxy Rules, Article 44-5, Paragraph 2 of the Regulations Governing the Administration of Shareholder Services of Public Companies, Article 44-15 and Article 44-17, Paragraph 1. In that case, the Company shall postpone or resume the date of the shareholders' meeting in accordance with Paragraph 2.

Article 22

When the Company holds a video shareholders' meeting, the Company shall provide appropriate alternative measures for shareholders who have difficulty attending the shareholders' meeting by video.

Article 23

These rules shall come into effect upon the approval of the shareholders' meeting as well as upon amendment.

Rules of Procedure for Shareholders Meetings

1. The Company's shareholders' meetings shall be conducted in accordance with these regulations, unless otherwise provided by law.
2. The Company shall prepare an attendance book for the attending shareholders sign in, or the attending shareholders shall hand in their attendance cards to sign in on their behalf. The number of shares present shall be calculated based on the attendance book or the attendance card.
3. Attendance and voting at shareholders' meetings shall be calculated on the basis of the number of shares
4. A meeting of the shareholders of the Company shall be held at the place where the Company is located or at a place convenient for the shareholders to attend and suitable for the holding of a shareholders' meeting, and the meeting shall commence no earlier than 9:00 a.m. or later than 3:00 p.m.
5. When a shareholders' meeting is convened by the Board of Directors, in case the Chairman is on leave or absent or cannot exercise their power and authority for any cause, Deputy Chairman shall act on their behalf. If Deputy Chairman or Deputy Chairman is also unavailable, the Chairman shall designate one of the Executive Directors to act on their behalf. If there is no Executive Director, one of the Directors shall be appointed. Executive Directors and Directors shall elect one among themselves to act as the Chair when the Chairman does not assign a designation.

If a shareholders' meeting is convened by a person other than the board of directors with the right to call, the chair of the meeting shall be the one who convenes the meeting.
6. The Company may appoint an attorney, accountant, or related personnel to attend the shareholders' meeting.

The person conducting the shareholders' meeting shall wear an identification badge or armband
7. The Company shall record or videotape the entire meeting of shareholders and keep it for at least one year.
8. The chair of the meeting shall call the meeting to order immediately upon the meeting time. If there are not enough shareholders, while representing at least one-third of outstanding shares after two postponements, tentative resolutions may be passed in accordance with Article 175, paragraph 1 of the Company Act.

When, before the conclusion of the meeting, the attending shareholders represent a majority of the total number of outstanding shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.
9. If a shareholders' meeting is convened by the board of directors, the agenda of the meeting shall be set by the Board of Directors, and the meeting shall proceed in accordance with the agenda as arranged and shall not be changed without the resolution of the shareholders' meeting.

If a shareholders' meeting is by a party with the power to convene such meetings other than the Board of Directors, the preceding paragraph shall apply.

The chair may not declare the meeting adjourned before the completion of deliberation on the meeting agenda of the preceding two paragraphs (including extempore motions) as set forth in the preceding two Articles.

After the meeting is adjourned, the shareholders may not elect another chair to continue the meeting at the same place or another venue; however, If the chair declares the meeting adjourned in violation of the rules of procedure, a new chair may be elected by agreement of a majority of the votes represented by the attending shareholders to continue the meeting.

10. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.
A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.
When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.
11. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.
12. When a juristic person shareholder is entrusted to attend a shareholders' meeting, only one representative can attend the meeting.
If a juristic person shareholder appoints more than two representatives to attend a shareholders' meeting, only one person may speak on the same motion.
13. After a shareholder has spoken, the chairman may reply personally or designate a relevant person to reply.
14. When the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.
15. The chairman of the board of directors shall appoint the person who monitors and counts the votes on the motion, but the monitor shall be a shareholder. The results of the voting shall be reported on the spot and records shall be made.
16. During the meeting, the chairman may announce a break.
17. Except as otherwise provided in the Company Act and the Article of Incorporation, a motion shall be approved by the votes of the majority of the shareholders present.
If the Chairman consults with the voters and no objection is raised, the vote shall be deemed to have been taken and shall have the same effect as a poll.
18. If there are amendments or substitutions to the same motion, the chairman shall determine the order of voting on it along with the original motion. If one of the motions has been passed, the other motions shall be deemed to be rejected and shall not be voted on again.
19. The chairman may instruct pickets (or security personnel) to help maintain order in the meeting. They should wear "Picketeer" armbands when they are present to help maintain order.
20. These rules shall come into effect upon the approval of the shareholders' meeting and shall be amended in the same manner.

KAO FONG MACHINERY CO., LTD Article

Chapter 1 General Principles

- Article 1: The Company is established as KAO FONG MACHINERY CO., LTD. in accordance with the provisions of the Company Act, and is known in English as "KAO FONG MACHINERY CO., LTD".
- Article 2: The company's business scope is as follows:
1. CB01010 Machinery Manufacturing
 2. CP01010 Hand tool manufacture.
Research, development, design, manufacture and sales of the following products.:
 - (1) Vacuum pump for semiconductor production.
 - (2) Linear Motorized Machine.
 - (3) Plasma machine technology applied to vertical center machine VMC850.
 - (4) Wafer cleaning machine.
 3. Import and export trading and agency trading of the former products
 4. ZZ99999 may operate any business that is not prohibited or restricted by law.
(Businesses outside the science park only).
- Article 3: The Company shall have its head office in the Central Taiwan Science Park and may establish branches in appropriate locations in the country or abroad by resolution of the Board of Directors as needed.
- Article 4: The notice of the Company shall be published in the prominent section of the county (city) or provincial (city) daily newspaper where the head office is located. However, if the competent authority has other regulations, the regulations shall be followed.
- Article 5: The Company may make external endorsements for business purposes.

Chapter 2 Shares

- Article 6: The total capital of this company is set at NTD 2 billion, divided into 200 million shares, with a par value of NTD 10 per share. The Board of Directors is authorized to issue shares in installments.
- Article 7: The shares of this company are registered and are signed, numbered, and stamped by the directors representing the company, and issued after being certified by the competent authority or the registered issuing registration institution. Taiwan Depository & Clearing Corporation may request the company to merge and issue securities with larger denominations.
The shares issued by the company may be exempted from printing stock certificates, as well as other securities, but should be registered with a securities central depository.
- Article 7-1: The Company is permitted to repurchase treasury stocks at a price lower than the average price of the shares actually bought back and transfer them to employees, but only in compliance with relevant laws and regulations, with the approval of a shareholders' meeting representing the majority of the total number of issued shares, and subject to the condition that at least two-thirds of the shareholders present vote in favor of the purchase.
- Article 8: The transfer, transmission, inheritance, gift, creation of pledge, loss, extinction or other operations of the Company's shares shall be conducted in accordance with the Company Law and relevant laws and regulations.

Chapter 3 Shareholder's Meeting

- Article 9: The Company's shareholders' meetings are divided into the two types listed on the left:
1. Annual shareholders' meeting: held within six months after the end of each fiscal year
 2. Extraordinary general meetings: In case of necessity, the Company shall convene the meeting in accordance with the provisions of the Company Act.
- Article 10: The shareholders shall be notified 30 days before the convening of an annual shareholders' meeting and 15 days before the convening of an extraordinary shareholders' meeting, and the reasons for the convening shall be stated.
- Article 11: Shareholders shall have one vote per share, except for those who are restricted or have no voting rights as listed in Article 179, Paragraph 2 of the Company Act.
- Article 12: Unless otherwise provided in the Company Act, resolutions at shareholders' meetings shall be made with the presence of shareholders representing more than half of the total number of outstanding shares and shall be carried out with the consent of more than half of the voting rights of the shareholders present. In accordance with the regulations of the competent authority, the shareholders of the Company may also exercise their voting rights electronically. Shareholders who exercise their voting rights by electronic means are considered to be present in person and the related matters are handled in accordance with the provisions of the regulations.
- Article 13: If a shareholder cannot attend a shareholders' meeting for any reason, the shareholder may appoint a proxy to attend the meeting by issuing a proxy form issued by the Company with the Company's seal, stating the scope of authority. A shareholder shall issue one proxy form, limited to one person, and deliver it to the Company or the Company's designated stock agency by five days prior to the shareholders' meeting.
- Article 14: If the chairman of the board of directors is absent, the chairman of the board of directors shall designate a director to act on their behalf; if no such designation is made, the directors shall elect a person to act as the chair; if the meeting is convened by someone other than the board of directors, the chair shall be the person who has the authority to convene the meeting, and if there are more than two persons who have the authority to convene the meeting, one of them shall be elected from among themselves.
- Article 15: Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, specifying the date and place of the meeting, the name of the chair, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting and shall be affixed with the signature or seal of the chair of the meeting and distributed to all shareholders within 20 days after the close of the meeting. The minutes, attendance book, and proxy form shall be kept at the Company. After the public offering of the Company's shares, the meeting minutes may be distributed through public announcement.

Chapter 4 Board of Director

- Article 16: The Company shall have nine directors and organize a board of directors. The election of directors shall be based on the candidate nomination system stipulated in Article 192 of the Company Act. The shareholders' meeting shall elect the directors from the list of candidates. The term of office of the directors is three years, and they are eligible for a second consecutive term.
- Among the aforementioned number of directors, the number of independent directors shall not be less than three and shall not be less than one-fifth of the number of directors. The professional qualifications, shareholdings, restrictions on part-time employment, nomination and election of independent directors, and other matters to

be followed shall be in accordance with the relevant regulations of the competent securities authorities. Independent and non-independent directors shall be elected at the same time, and the number of elected directors shall be calculated separately.

The Company's Board of Directors may establish functional committees whose membership, powers, functions, and related matters shall be governed by the relevant laws and regulations as otherwise determined by the Board of Directors. The Company has established an Audit Committee to replace the Supervisors. The Audit Committee shall be composed of all independent directors and shall consist of at least three members, one of whom shall be the convener.

Article 17: The chairman of the board of directors shall be the chair. If the Chairman is on leave or absent or cannot exercise his power and authority for any cause, the Chairman shall designate one of the directors to act on their behalf. In the absence of such a designation, the directors shall elect from among themselves.

Article 18: The Board of Directors of the Company shall meet at least once a quarter with the following terms of reference:

1. Approval of important rules details.
2. Make a business plan.
3. Audit Budget and final account.
4. Election and Dismissal of General Manager and Deputy General Manager of the Company.
5. Proposals to distribute profits and deficit compensation.
6. Proposals for capital increase or decrease.
7. Report on situations in which the Audit Committee is considered at risk of causing significant harm to the Company.
8. Exercise other powers and functions in accordance with the Company Act or the resolution of the shareholders' meeting.

Article 19: If a director is unable to attend a meeting of the Board of Directors in person for any reason, the director may appoint another director to participate in the meeting by proxy by specifying the scope of authority to convene the meeting, but one person may only appoint the proxy.

The Company's board of directors may convene a meeting by notifying the directors and supervisors in writing, by e-mail, or by fax.

Chapter 5 Supervisors

Article 20: Deleted

Article 21: Deleted

Article 22: Deleted

Chapter 6 Manager

Article 23: The Company shall have a General Manager and several Deputy General Managers, who shall be appointed and dismissed by the Board of Directors with the approval of more than half of the Board of Directors. However, the appointment and dismissal of the Deputy General Manager shall be nominated by the General Manager first.

Article 24: General Manager manages all the business of the Company in accordance with the resolution of the Board of Directors and the order of the Chairman.

Chapter 7 Financial Statements

Article 25: For the fiscal year beginning on January 1 and ending on December 31, the Board of Directors shall prepare and submit to the Audit Committee for inspection 30 days

prior to the annual shareholders' meeting, and the Audit Committee shall issue a report and submit it to the annual shareholders' meeting for ratification after each final annual account in accordance with the Company Law.

1. Business report
2. Financial statements
3. Statement of surplus distribution and deficit compensation

Article 26: At least 3% of the Company's annual profit shall be paid to employees and no more than 5% to directors, provided that if the Company has accumulated a deficit, it shall reserve the amount to compensate for it in advance.

Compensation to employees may be paid in stock or cash to employees of the Company who meet the criteria established by the Board of Directors or its delegates.

Article 26-1: To consider the Company's sustainable operation, future capital expenditure budget, and profitability, as well as the shareholders' demand for cash inflow, the Company shall, in addition to paying tax, first compensate for the deficit accumulated in the past years and then set aside 10% of the legal reserve and a special reserve for the reduction in shareholders' equity that occurred in the current year.

The Company's dividend policy is to adopt a balanced dividend policy, considering the Company's profitability and future operating needs, and to set the distribution of earnings. The dividends are distributed as stock dividend and cash dividend. The payout ratio of cash dividend maintains 40% to 100%. Only when the Company has important investment plans will the payout ratio drop to 10% to 50%. If the cash dividends are less than NT\$0.1, all dividends will be paid as stock dividends.

Article 27: The chairman and directors of the Company are entitled to receive compensation for their duties regardless of operating profit or loss. Their remuneration is authorized to be determined by the Board of Directors based on their participation in the Company's operations and the value of their contributions and considering domestic and international industry standards at a level not exceeding the highest salary scale set forth in the Company's compensation plan.

To diversify the risk of directors' liability and to enhance corporate governance, the Company may take out liability Insurance for all directors and representatives appointed by the Company as directors and supervisors of the investee company during their term of office.

Article 28: The re-investment of the Company may exceed 40% of the paid-up capital of the Company.

Chapter 8 Supplementary Provisions

Article 29: All matters not covered by these Articles of Incorporation shall be governed by the provisions of the Company Act.

This chapter was established on January 10, 1979.

The 1st amendment was made on October 18, 1980.

The 2nd amendment was made on December 26, 1981.

The 3rd amendment was made on October 27, 1983.

The 4th amendment was made on November 4, 1985.

The 5th amendment was made on June 25, 1988.

The 6th amendment was made on October 28, 1988.

The 7th amendment was made on June 27, 1989.

The 8th amendment was made on July 18, 1990.

The 9th amendment was made on October 18, 1990.

The 10th amendment was made on June 25, 1991.

The 11th amendment was made on August 31, 1992.

The 12th amendment was made on October 9, 1992.

The 13th amendment was made on September 27, 1995.
The 14th amendment was made on April 16, 1997.
The 15th amendment was made on May 6, 1998.
The 16th amendment was made on May 5, 2000.
The 17th amendment was made on June 28, 2002.
The 18th amendment was made on June 30, 2003.
The 19th amendment was made on June 30, 2004.
The 20th amendment was made on June 24, 2005.
The 21st amendment was made on June 27, 2008.
The 22nd amendment was made on June 19, 2009.
The 23rd amendment was made on June 25, 2010.
The 24th amendment was made on May 24, 2012.
The 25th amendment was made on June 11, 2014.
The 26th amendment was made on June 12, 2015.
The 27th amendment was made on June 20, 2016.
The 28th amendment was made on June 13, 2018.
The 29th amendment was made on June 11, 2019.
The 30th amendment was made on June 11, 2020.

KAO FONG MACHINERY CO., LTD Chairman LIN, YAN-HUI

Appendix 3

The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate: No gratis allotment of shares was made during the year, so it is not applicable.

Appendix 4

Shares Held by Directors and Supervisors:

1. As per Article 26, Paragraph 2 of the Securities and Exchange Act, the minimum number of shares held by all directors shall be at least 8,000,000.
2. As of the commencement date of the shareholders' meeting for the cessation of transfers (April 14, 2023), the shareholdings of individual shareholders and all directors, as recorded in the register of members, are as follows

Title	Name	Number of shares held	Shareholding (%)
Chairman	Representative of Hozuan Fortunewell INVESTMENT CO., LTD.: LIN, YAN-HUI	16,501,826	15.28%
Director	Representative of Hozuan Fortunewell INVESTMENT CO., LTD.: SHEN, KUO-JUNG	16,501,826	15.28%
Director	Representative of Hao Cing Investment Co., Ltd.: SUN, YUNG-TSANG	1,517,855	1.41%
Director	CHANG, YU-JENG	22,066	0.02%
Director	SHENG, CHIEN-CHIH	233,788	0.22%
Director	HUANG, FENG-YIH	1,611,000	1.49%
Independent Director	LIAO, SHU-CHUNG	0	0%
Independent Director	WANG, FU-LIN	0	0%
Independent Director	KUO, CHUN-MING	0	0%
Sum of all directors' shareholdings		19,886,535	18.41%

Note: The Company has set up an Audit Committee to replace the supervisors' power; therefore, the requirement that the number of shares held by supervisors should not be less than a certain percentage is not applicable.