

Stock Code: 6125



KENMEC MECHANICAL ENGINEERING CO., LTD.

2021 Annual Shareholders' Meeting

Handbook

Date: June 25, 2021

**Location: No. 69, Dingping Rd., Ruifang Industrial
Park, Ruifang Dist., New Taipei City, Taiwan
(R.O.C.)**

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KENMEC MECHANICAL ENGINEERING CO., LTD.
2021 Annual Shareholders' Meeting Procedure

- I. Call to order (Announcing the voting rights represented by the attending shareholders)
- II. Statement by the chairperson
- III. Reports
- IV. Ratifications
- V. Discussions
- VI. Extempore motions
- VII. Adjournment

KENMEC MECHANICAL ENGINEERING CO., LTD.

2021 Annual Shareholders' Meeting Agenda

Time: 9:00 a.m., Friday, June 25, 2021

Location: No. 69, Dingping Rd., Ruifang Industrial Park, Ruifang Dist., New Taipei City, Taiwan (R.O.C.)

I. Reports

- (1). 2020 Business Report.
- (2). 2020 Audit Committee's Review Report.
- (3). Report on implementation of the 2020 proposal for treasury stocks.
- (4). Report on appropriation of the remuneration for employees and directors in 2020.
- (5). Report on amendment of the "Rules of Procedure for Board of Directors Meeting".

II. Ratifications

- (1). 2020 Business Report and financial statements.
- (2). Distribution of the profits for 2020.

III. Discussions

- (1). Distribution of shareholder dividends from capital reserves.
- (2). Amendment of the "Articles of Incorporation."
- (3). Amendment of the "Rules of Procedure for Shareholders' Meeting."

IV. Extempore Motions

V. Adjournment

I. Reports

Item 1:

Proposal: The 2020 Business Report is hereby presented for review.

Description: For the 2020 Business Report, see Attachment 1 on p. 7 of this Handbook.

Item 2:

Proposal: The 2020 Audit Committee's Review Report is hereby presented for review.

Description: The financial statements and consolidated financial statements of the Company's 2020 final accounts were audited by accountants from Deloitte Taiwan, approved by the Board of Directors and reviewed by the Audit Committee, and an audit report was issued. For the audit report, see Attachment 2 on p. 8 of this Handbook.

Item 3:

Proposal: The report on implementation of the 2020 proposal for treasury stocks is hereby presented for review.

Description: 1. During the period from March 23 to May 22, 2020, the Company was expected to repurchase 2,000,000 shares for treasury stocks, and 1,000,000 shares were actually repurchased at a cost of NTD 14,768,232 with an average repurchase price of NTD 14.77 per share. The shares have been transferred to employees in accordance with the purpose of repurchase.

2. During the period from January 27 to March 5, 2021, the Company was expected to repurchase 2,000,000 shares for treasury stocks, and 2,000,000 shares were actually repurchased at a cost of NTD 49,596,440 with an average repurchase price of NTD 24.8 per share. The purpose of such repurchase was to transfer the shares to employees.

Item 4:

Proposal: The report on appropriation of the remuneration for employees and directors in 2020 is hereby presented for review.

Description: 1. According to Article 20 of the "Articles of Incorporation," 5%–15% of the Company's annual net profits before tax, if any, shall be appropriated as employee's remuneration, and 1%–3% of the said profits shall be appropriated as director's remuneration.

2. In accordance with the "Articles of Incorporation," due to a net loss in the current period, no appropriation for employees' and directors' remuneration will be made.

Item 5:

Proposal: The report on amendment of the “Rules of Procedure for Board of Directors Meeting” is hereby presented for review.

Description: In accordance with the amendment of the law, the Company has made amendment to certain clauses of the “Rules of Procedure for Board of Directors Meeting.” For the table of comparison of the clauses before and after amendment, see Attachment 3 on p. 9 of this Handbook.

II. Ratifications

Item 1: (Submitted by the Board of Directors)

Proposal: The 2020 Business Report and financial statements are hereby submitted for ratification.

Description:

1. The Company's 2020 financial statements (consolidated financial statements) were audited by LI-HUANG LI and HUI-MING CHEN, the accountants of Deloitte Taiwan, and an audit report sufficient for fair presentation was issued by them. The above-mentioned financial statements and consolidated financial statements, the Business Report and the table of profit distribution have been submitted to the Audit Committee for review and record.
2. The Business Report (see Attachments 1 on p. 7 of this Handbook), the Accountant's Audit Report and the above-mentioned financial statements (see Attachment 4 on p. 14–36 of this Handbook) are hereby submitted for ratification.

Resolution:

Item 2: (Submitted by the Board of Directors)

Proposal: The proposal for distribution of the profits for 2020 is hereby submitted for ratification.

- Description:
1. The Company's losses after tax in 2020 amounted to NTD 97,152,000. After adding the accumulated profits of NTD 516,499,000 following adjustment in the previous period, the amount of distributable profits for the current year is NTD 419,348,000.
 2. Due to losses in the current year, no profits will be set aside as legal reserve in accordance with the law.
 3. Considering that the distributable profits for the current year are profits generated in 2019, and that the Statute for Industrial Innovation was amended in 2019 to add Article 23-3 stating that any substantial investment made by a company with undistributed profits may be exempt from the 5% profit-seeking enterprise income tax for the purposes of driving domestic investment and encouraging companies to make substantial investments with profits, no profits will be distributed for 2020.
 4. The following table of profit distribution for 2020 is hereby submitted for ratification.

KENMEC MECHANICAL ENGINEERING CO., LTD.

Table of Profit Distribution for 2020

Item	Unit: NTD Amount
Undistributed profits at the beginning of the period	511,821,804
+: Retained profits adjusted by investment accounted for using the equity method	795,771
+: Remeasurement of defined benefit plans recognized as retained profits	3,881,923
Undistributed profits after adjustment	516,499,498
+: Current net losses after tax	(97,151,646)
-: Profits set aside as legal reserves (10%)	0
-: Profits set aside as special reserves	0
Distributable profits for the current period	419,347,852
Distribution of profits for the current period:	
Shareholder dividends – Cash	-
Total amount distributed	-
Undistributed profits at the end of the period	419,347,852

Chairman:

CHING-FU HSIEH

Manager:

CHING-FU HSIEH

Accounting Manager:

CHIN-YI LAI

Resolution:

III. Discussions

Item 1: (Submitted by the Board of Directors)

Proposal: Distribution of shareholder dividends from capital reserves.

Description: 1. Based on the dividend policy established in accordance with the “Articles of Incorporation” and taking into account the actual funding situation of the Company, it is proposed that an amount of NTD 370,516,725 be distributed as cash dividends to shareholders from the capital reserves with which the Company may legally distribute cash dividends. If calculated with the 247,011,150 shares actually outstanding (= 249,011,150 shares currently outstanding – 2,000,000 shares repurchased as treasury stocks), an amount of NTD 1.5 will be distributed in cash per share.

2. If subsequently the number of the outstanding shares is affected by any change in the Company’s share capital which results in a change in the shareholder dividend payout ratio, it is proposed that the Chairman be authorized by the annual shareholders’ meeting to deal with the related matters.

3. Cash dividends will be distributed by the calculation method of “rounding down to the nearest dollar,” with the total of all fractional amounts less than NTD 1 adjusted in order from the largest to the smallest decimals and from the earliest to the latest account numbers until it conforms with the total cash dividends distributed.

4. The Chairman will be authorized to determine the ex-dividend date after the cash dividends have been approved by the annual shareholders’ meeting, with an announcement made separately. This proposal is hereby submitted for discussion.

Resolution:

Item 2: (Submitted by the Board of Directors)

Proposal: Amendment of the “Articles of Incorporation.”

Description: In consideration of the current practices and operations in the distribution of the Company’s profits, it is proposed that certain clauses of the “Articles of Incorporation” be amended. For the table of comparison of the clauses before and after amendment, see Attachment 5 on p. 37 of this Handbook. This proposal is hereby submitted for discussion.

Resolution:

Item 3: (Submitted by the Board of Directors)

Proposal: Amendment of the “Rules of Procedure for Shareholders’ Meeting.”

Description: In accordance with the amendment of the law, it is proposed that

certain clauses of the “Rules of Procedure for Shareholders’ Meeting” be amended. For the table of comparison of the clauses before and after amendment, see Attachment 6 on p. 38–41 of this Handbook. This proposal is hereby submitted for discussion.

Resolution:

IV. Extempore Motions

V. Adjournment

KENMEC MECHANICAL ENGINEERING CO., LTD.

Business Report

It has been more than 44 years since the founding of the Company in 1976. Last year, despite drastic changes in the global economy, all employees of the Company managed to keep up their hard work. In 2020, the consolidated operating revenue was NTD 4,298,290,000, a decrease of NTD 65,483,000 from 2019. The consolidated net profit before tax was (NTD 103,128,000), a significant decrease of NTD 1,082,651,000 from 2019, which was mainly due to a huge profit generated by selling the real estate in Zhongli during that year. The operating performance of 2020 is summarized as follows:

I. Results of implementation of the business plan

Unit: 1,000s of NTD

Item	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Operating revenue	4,298,290	100.0	4,363,773	100.0	(65,483)	(1.5)
Gross operating profit	536,987	12.5	321,207	7.4	215,780	67.2
Operating profit (loss)	(153,324)	(3.6)	(743,866)	(17.0)	590,542	79.4
Net profit (loss) before tax	(103,128)	(2.4)	979,523	22.4	(1,082,651)	(110.5)

II. Status of budget implementation

The Company was not required to disclose its financial forecast in 2020.

III. Revenues, expenses, and profitability analysis

Unit: NTD thousand

		2020	2019	% of increase (decrease)	
Revenues and expenses	Operating revenue	4,298,290	4,363,773	(1.5)	
	Gross operating profit	536,987	321,207	67.2	
	Net profit (loss) before tax	(103,128)	979,523	(110.5)	
Profitability	Return on assets (%)	(0.37)	9.93	(103.7)	
	Return on equity (%)	(1.79)	18.21	(109.8)	
	Ratio to paid-up capital (%)	Operating profit	(6.16)	(29.87)	79.4
		Net profit before tax	(4.14)	39.34	(110.5)
	Net profit margin (%)	(2.32)	22.80	(110.2)	
	EPS (NTD)	(0.39)	5.47	(107.1)	

IV. Performance in research and development

As one of the few professional companies in Taiwan with turnkey integration of automated logistics systems, the Company possesses over 40 years of rich experience and has nearly 100 expert technical engineers. This great R&D team has continued to put efforts into R&D and innovation to keep maximizing benefits for the Company and shareholders.

In light of the rapidly changing market demands and the increasing quality needs of customers, the Company must specifically focus on R&D in response to changes in market

demands.

The future direction of R&D will be:

1. Continuing research on and improvement of the current product quality to keep the Company ahead of its competitors.
2. Enhancing process automation to increase productivity and reduce costs.

To sum up, the Company has gained recognition by its peers and trust from its customers in terms of industry, profitability, production and R&D technologies. In the future, the Company and its staff will strive to use every business opportunity to maximize profits for shareholders amid an environment of constantly changing market competition.

Chairman:
CHING-FU HSIEH

Manager:
CHING-FU HSIEH

Accounting Manager:
CHIN-YI LAI

KENMEC MECHANICAL ENGINEERING CO., LTD.
Audit Committee's Audit Report

The Company's 2020 individual and consolidated financial statements, prepared and submitted by the Board of Directors, were audited by Deloitte Taiwan with an audit report issued thereafter.

The above-mentioned individual and consolidated financial statements, the business report and **the proposal for profit distribution** were audited by the Audit Committee and deemed in compliance with the Company Act and other applicable laws. Therefore, in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we present this report for further examination.

To
2021 Annual Shareholders' Meeting of KENMEC MECHANICAL
ENGINEERING CO., LTD.

Members of the Audit Committee: FU-HSIUNG CHENG
CHEN-TAI HSIAO
CHIEN-CHOU CHU

March 29, 2021

KENMEC MECHANICAL ENGINEERING CO., LTD.
Table of Comparison of the Clauses Before and After Amendment of
the Rules of Procedure for Board of Directors Meeting

Clause	After amendment	Before amendment	Description
Article 7	<p>(Chair of the Board of Directors Meeting and His/Her Proxy) All Board of Directors meetings convened by the Chairman shall be presided over <u>by the Chairman</u>. However, with respect to the first meeting of each newly elected Board of Directors, it shall be convened and presided over by the director <u>who</u> has received votes representing the largest portion of voting rights at the shareholders' meeting which has elected the directors. If two or more directors are entitled to convene the meeting, they shall select from among themselves one director to serve as the chair.</p> <p><u>According to Paragraph 4, Article 203 and Paragraph 3, Article 203-1 of the Company Act, if any Board of Directors meeting is convened by more than half of the directors, they shall select one director among themselves to serve as the chair.</u></p> <p>If the Chairman is on leave or unable to perform his/her duties for whatever reason, the Vice Chairman shall act on his/her behalf. In the absence of a Vice Chairman or where the Vice Chairman is also on leave or unable to perform his/her duties for whatever reason, the Chairman shall appoint one of the executive directors to act on his/her behalf. In the absence of any executive director, one of the directors shall be appointed to act on behalf of the Chairman. Where the Chairman fails to make such appointment, the executive directors or directors shall select one of them to act on behalf of the Chairman.</p>	<p>(Chair of the Board of Directors Meeting and His/Her Proxy) All Board of Directors meetings of the Company shall be convened <u>and</u> presided over by the Chairman. However, with respect to the first meeting of each newly elected Board of Directors, it shall be convened and presided over by the director who has received votes representing the largest portion of voting rights at the shareholders' meeting which has elected the directors. If two or more directors are entitled to convene the meeting, they shall select from among themselves one director to serve as the chair.</p> <p>If the Chairman is on leave or unable to perform his/her duties for whatever reason, the Vice Chairman shall act on his/her behalf. In the absence of a Vice Chairman or where the Vice Chairman is also on leave or unable to perform his/her duties for whatever reason, the Chairman shall appoint one of the executive directors to act on his/her behalf. In the absence of any executive director, one of the directors shall be appointed to act on behalf of the Chairman. Where the Chairman fails to make such appointment, the executive directors or directors shall select one of them to act on behalf of the Chairman.</p>	Amended in accordance with the law.
Article 11	<p>(Discussion of Proposals) The Company's board meetings shall follow the agenda given in the meeting notice. However, the agenda may be changed with the approval of a majority of directors in attendance at the board meeting.</p> <p>Without the approval of a majority of the directors in attendance at the meeting, the chair may not declare the</p>	<p>(Discussion of Proposals) The Company's board meetings shall follow the agenda given in the meeting notice. However, the agenda may be changed with the approval of a majority of directors in attendance at the board meeting.</p> <p>Without the approval of a majority of the directors in attendance at the meeting, the chair may not declare the</p>	Amended in accordance with the law.

Clause	After amendment	Before amendment	Description
	<p>meeting closed.</p> <p>During any Board of Directors meeting, if the number of directors present falls below a majority of the attending directors, upon the motion by any of the directors present, the chairperson shall declare a suspension of the meeting and apply <u>Paragraph 4 of Article 8 mutatis mutandis.</u></p>	<p>meeting closed.</p> <p>During any Board of Directors meeting, if the number of directors present falls below a majority of the attending directors, upon the motion by any of the directors present, the chairperson shall declare a suspension of the meeting and apply Paragraph 1 mutatis mutandis.</p>	
Article 12	<p>(Matters to be Discussed by the Board of Directors)</p> <p>The following matters should be presented to the Board of Directors for discussion:</p> <p>I. The Company’s business plan</p> <p>II. <u>Annual financial report and the Q2 financial report requiring audit and certification by an accountant.</u></p> <p>III. Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act (hereinafter referred to as the “SEA”), <u>and the evaluation of the effectiveness of the internal control system.</u></p> <p>IV. Establishment or amendment of the handling procedures regarding significant financial business behaviors, including the acquisition and disposal of assets, trading of financial derivatives, loaning of funds to others, and endorsement/guarantees for others in accordance with Article 36-1 of the SEA.</p> <p>V. The offering, issuance, or private placement of equity-type securities.</p> <p>VI. The appointment or discharge of a financial, accounting, or internal audit officer.</p> <p>VII. <u>A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following Board of Directors meeting for ratification.</u></p> <p>VIII. The important matters that are</p>	<p>(Matters to be Discussed by the Board of Directors)</p> <p>The following matters should be presented to the Board of Directors for discussion:</p> <p>I. The Company’s business plan</p> <p>II. <u>Annual financial report and semi-annual financial report, except for any semi-annual financial report not legally requiring audit and certification by an accountant.</u></p> <p>III. Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act (hereinafter referred to as the “SEA”).</p> <p>IV. Establishment or amendment of the handling procedures regarding significant financial business behaviors, including the acquisition and disposal of assets, trading of financial derivatives, loaning of funds to others, and endorsement/guarantees for others in accordance with Article 36-1 of the SEA.</p> <p>V. The offering, issuance, or private placement of equity-type securities.</p> <p>VI. The appointment or discharge of a financial, accounting, or internal audit officer.</p> <p>VII. The important matters that are required by Article 14-3 of the SEA, other laws or regulations, and the Articles of Incorporation to be resolved in the shareholders’ or board meeting or required by the competent authorities.</p>	Amended in accordance with the law.

Clause	After amendment	Before amendment	Description
	<p>required by Article 14-3 of the SEA, other laws or regulations, and the Articles of Incorporation to be resolved in the shareholders' or board meeting or required by the competent authorities.</p> <p><u>The term "related party" in Subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means any individual donation, or cumulative donations within one year to a single recipient, at an amount of NTD 100 million or more, or at an amount equal to or greater than 1% of the net operating revenue or 5% of the paid-in capital as stated in the CPA-attested financial report for the most recent year.</u></p> <p><u>The "within one year" referred to above means for the one year prior to the board meeting convening date excluding the part that had already been resolved in the board meeting.</u></p> <p><u>For any matter required to be decided by the Board of Directors under Article 14-3 of the SEA, the Board of Directors meeting shall be attended by at least one independent director. For any matter required to be submitted to and decided by the Board of Directors, the Board of Directors meeting shall be attended by all independent directors. Where an independent director is unable to attend in person, another independent director shall be appointed to attend on his/her behalf. The objections or reservations of the independent directors should be documented in the minutes of the meeting. The independent directors who cannot attend the board meeting in person to express their opposition or reservation, unless with a proper cause, must have a written opinion submitted in advance and then documented in the minutes of the meeting.</u></p>	<p>For any matter required to be decided by the Board of Directors under Article 14-3 of the SEA, an independent director shall attend the Board of Directors meeting <u>in person or</u> appoint another independent director to attend on his/her behalf. The objections or reservations of the independent directors should be documented in the minutes of the meeting. The independent directors who cannot attend the board meeting in person to express their opposition or reservation, unless with a proper cause, must have a written opinion submitted in advance and then documented in the minutes of the meeting.</p>	
Article 15	(Avoidance of Conflict of Interest of Directors) When a proposal at a meeting	(Avoidance of Conflict of Interest of Directors) When a proposal at a meeting concerns	Amended in accordance

Clause	After amendment	Before amendment	Description
	<p>concerns the personal interest of, or the interest of the juristic person represented by, the concerned director, he/she shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as a proxy for another director.</p> <p><u>Where any spouse or blood relative within the second degree of kinship of the director or any company controlled by or affiliated with the director has an interest in any proposal of the meeting under the preceding paragraph, the director shall be deemed to have a personal interest in the proposal.</u></p> <p>Directors who may not exercise their voting rights in the process of resolving a proposal at the Board of Directors meeting as provided in the preceding paragraph, shall apply and follow Paragraph 3, Article 206 and Paragraph 2, Article 180 under the Company Act.</p>	<p>the personal interest of, or the interest of the juristic person represented by, the concerned director, he/she shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as a proxy for another director.</p> <p>Directors who may not exercise their voting rights in the process of resolving a proposal at the Board of Directors meeting as provided in the preceding paragraph, shall apply and follow Paragraph 3, Article 206 and Paragraph 2, Article 180 under the Company Act.</p>	with the law.
Article 16	<p>(Minutes of meeting and matters to be signed)</p> <p>The minutes of meeting must be prepared for the Company’s board meeting with the following information detailed:</p> <p>I. Session (or year), time, and place of meeting.</p> <p>II. Name of the meeting chair.</p> <p>III. Attendance of directors at the meeting, specifying the names and number of members present, excused, and absent.</p> <p>IV. Name and title of the attendees.</p> <p>V. Name of minutes taker.</p> <p>VI. Reporting Matters</p> <p>VII. Matters to be discussed: The method of resolution and the result for each proposal, a summary of the comments made by directors, experts, or other persons, the name of any director that is an interested party as referred to in Paragraph</p>	<p>(Minutes of meeting and matters to be signed)</p> <p>The minutes of meeting must be prepared for the Company’s board meeting with the following information detailed:</p> <p>I. Session (or year), time, and place of meeting.</p> <p>II. Name of the meeting chair.</p> <p>III. Attendance of directors at the meeting, specifying the names and number of members present, excused, and absent.</p> <p>IV. Name and title of the attendees.</p> <p>V. Name of minutes taker.</p> <p>VI. Reporting Matters</p> <p>VII. Matters to be discussed: The method of resolution and the result for each proposal, a summary of the comments made by directors, experts, or other persons, the name of any director that is an interested party as referred to in Paragraph 1 of the</p>	Amended in accordance with the law.

Clause	After amendment	Before amendment	Description
	<p>1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal, opinions expressing objections or reservations at the meeting that were included in records or stated in writing, and any opinion issued in writing by an independent director under Paragraph 4 of Article 12.</p> <p>VIII. Extempore motions: The name of proposer, method of resolution and the result for each proposal, a summary of the comments made by directors, experts, or other persons, the name of any director that is an interested party as referred to in Paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal, opinions expressing objections or reservations at the meeting that were included in records or stated in writing.</p> <p>IX. Other matters required to be recorded.</p> <p>Any matter decided by the Board of Directors for which any independent director has raised objection or expressed reservation that has been recorded or included in a written statement, <u>or any matter which has not been approved by the Audit Committee but approved by at least two-thirds of the directors.</u> Such matters shall be documented in the minutes of the meeting and transmitted to the Market Observation Post System designated by the Financial Supervisory Commission for public announcement within two days after the Board of Directors meeting.</p> <p>The sign-in book of the Board of Directors constitutes part of the meeting minutes and shall be retained for the duration of the existence of the</p>	<p>preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal, opinions expressing objections or reservations at the meeting that were included in records or stated in writing, and any opinion issued in writing by an independent director under Paragraph 4 of Article 12.</p> <p>VIII. Extempore motions: The name of proposer, method of resolution and the result for each proposal, a summary of the comments made by directors, experts, or other persons, the name of any director that is an interested party as referred to in Paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal, opinions expressing objections or reservations at the meeting that were included in records or stated in writing.</p> <p>IX. Other matters required to be recorded.</p> <p>Any matter decided by the Board of Directors for which any independent director has raised objection or expressed reservation that has been recorded or included in a written statement shall be documented in the minutes of the meeting and transmitted to the Market Observation Post System designated by the Financial Supervisory Commission for public announcement within two days after the Board of Directors meeting.</p> <p>The sign-in book of the Board of Directors constitutes part of the meeting minutes and shall be retained for the duration of the existence of the Company.</p> <p>The minutes of meetings must be signed or sealed by the chair and the clerk. The minutes of meetings must be distributed to the directors within 20</p>	

Clause	After amendment	Before amendment	Description
	<p>Company.</p> <p>The minutes of meetings must be signed or sealed by the chair and the clerk. The minutes of meetings must be distributed to the directors within 20 days after the meeting. The minutes of meetings shall be included as important files of the Company and shall be properly retained for the duration of the existence of the Company.</p> <p>The preparation and distribution of the minutes of meeting referred to in Paragraph 1 can be processed electronically.</p>	<p>days after the meeting. The minutes of meetings shall be included as important files of the Company and shall be properly retained for the duration of the existence of the Company.</p> <p>The preparation and distribution of the minutes of meeting referred to in Paragraph 1 can be processed electronically.</p>	
Article 19	<p>(Supplementary Provisions)</p> <p>This Rules of Procedure and any amendment thereto shall be approved by the Board of Directors and submitted in a report to the shareholders' meeting.</p> <p>This Rules of Procedure was established on December 8, 2006 and has been implemented since January 1, 2007.</p> <p>1st amendment on March 14, 2008.</p> <p>2nd amendment on March 19, 2021.</p>	<p>(Supplementary Provisions)</p> <p>This Rules of Procedure and any amendment thereto shall be approved by the Board of Directors and submitted in a report to the shareholders' meeting.</p> <p>This Rules of Procedure was established on December 8, 2006 and has been implemented since January 1, 2007.</p> <p>1st amendment on March 14, 2008.</p>	Added an amendment date.



勤業眾信

勤業眾信聯合會計師事務所
11073 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

Tel: +886 (2) 2725-9988
Fax: +886 (2) 4051-6888
www.deloitte.com.tw

Accountant’s Audit Report

To KENMEC MECHANICAL ENGINEERING CO., LTD.:

Audit Opinions

We audited the individual balance sheets of KENMEC MECHANICAL ENGINEERING CO., LTD. as of December 31, 2020 and 2019, the individual statements of comprehensive income, individual statements of changes in equity and individual statements of cash flows for the periods from January 1 to December 31, 2020 and 2019, and the notes to the individual financial statements (including the summary of significant accounting policies).

In our opinion, the said individual financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and thus presented fairly, in all material aspects, the individual financial positions of KENMEC MECHANICAL ENGINEERING CO., LTD. as of December 31, 2020 and 2019, and the individual financial performance and cash flows for the periods from January 1 to December 31, 2020 and 2019.

Basis of Audit Opinions

In 2020, we conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards. In 2019, we conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, the Letter Jin-Guan-Zheng-Shen-Zi No. 1090360805 issued by the Financial Supervisory Commission on February 25, 2020, and the generally accepted auditing standards. Our responsibilities under such standards are further described in the “CPA’s responsibility for the audit of the consolidated financial statements” section in this report. We were independent of Kenmec Group, in accordance with the Norms of Professional Ethics for Certified Public Accountants and fulfilled all other responsibilities thereunder. We believe that we acquired sufficient and appropriate audit evidence to use as the basis of our audit opinions.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the individual financial statements of KENMEC MECHANICAL ENGINEERING CO., LTD. for the year of 2020. Such matters were addressed in the context of our audit of the individual financial statements as a whole and, in forming our opinions thereon, we do not provide a separate opinion on these matters.

The key audit matters in the audit of the individual financial statements of KENMEC MECHANICAL ENGINEERING CO., LTD. for the year of 2020 are as follows:

Construction revenues recognized on the basis of stage of completion

KENMEC MECHANICAL ENGINEERING CO., LTD. is a company engaging in the business of automated construction, and the recognition of its construction revenues is based on the calculation of stage of completion in contracts. Since the calculation of stage of completion is a matter of significance for the recognition of construction revenues, we have deemed the calculation of stage of completion for construction revenues that meet certain criteria to be a key audit matter of the individual financial statements of the current year. For accounting policies

and disclosure information relevant to the stage of completion for construction revenues, see Notes 4, 5 and 24 to the financial statements.

In addition to testing the related internal controls, we performed the following audit procedures:

1. Acquiring additional construction contracts of significance to verify whether the total contract prices are consistent with those used for the calculation of construction revenues. Verifying additional or canceled contracts with respect to additional or canceled construction projects of significance.
2. Conducting random audit on additional and amended construction budgets with respect to additional construction projects of significance and construction projects with significant changes expected in their total costs during the current year, and checking whether such budgets have been properly approved by the managers of the responsible departments for the purpose of assessing the reasonableness of changes.
3. Obtaining details of construction expenses of the current year and conducting sampling verification of the relevant evidence to check the amount of costs invested in constructions statements, verify the accuracy of stage of completion for construction revenues and ensure such revenues have been appropriately accounted for.

Responsibilities of the Management and Governing Bodies for Individual Financial Statements

The management was responsible for preparation of the individual financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and maintaining the necessary internal control related to the preparation of the individual financial statements to ensure that the individual financial statements were free of material misstatement due to fraud or error.

During preparation of the individual financial statements, the management was also responsible for evaluating KENMEC MECHANICAL ENGINEERING CO., LTD.'s ability as a going concern, disclosure of relevant matters, and application of the going concern basis of accounting unless the management intended to make KENMEC MECHANICAL ENGINEERING CO., LTD. enter into liquidation or terminate its operations, or there were no other actual or feasible solutions other than liquidation or termination of its operations.

The governing bodies (including the Audit Committee) of KENMEC MECHANICAL ENGINEERING CO., LTD. are responsible for supervising the process of financial reporting.

Responsibilities of the Accountants for the Audit of Individual Financial Statements

The purpose of our audit of the individual financial statements is to obtain reasonable assurance about whether the individual financial statements were free of material misstatements due to fraud or error, with an audit report issued thereafter. Reasonable assurance refers to a high level of assurance. However, we could not guarantee the detection of all material misstatements in the separate financial statements with the audit conducted based on the generally accepted auditing standards. Any misstatement may be due to fraud or error. If an individual or total amount misstated was reasonably expected to have an impact on the economic decision-making of users of the separate financial statements, the misstatement was deemed as material.

We used our professional judgment to be skeptical during the audit conducted based on the generally accepted auditing standards. We also performed the following tasks:

1. We identified and assessed the risk of any misstatement in the individual financial statements due to fraud or error, designed and implemented response measures suitable for the evaluated risks, and acquired sufficient and appropriate audit evidence to use as the basis of our audit opinions. Since fraud may involve collusion, forgery, omission on purpose, fraudulent statements or violation of internal control, we did not find that the risk of misstatement due to fraud was higher than the same due to errors.

2. We understood the internal control related to the audit to the extent necessary to design audit procedures appropriate for the current circumstances. However, the purpose of such work was not to express opinions regarding the effectiveness of KENMEC MECHANICAL ENGINEERING CO., LTD.'s internal control.
3. We evaluated the appropriateness of the accounting policies adopted by the management and the rationality of the accounting estimates and relevant disclosure made by the management.
4. We drew a conclusion about the appropriateness of the application of the going concern basis of accounting by the management and whether the event or circumstances which may cast significant doubt about KENMEC MECHANICAL ENGINEERING CO., LTD.'s ability as a going concern had a material uncertainty. If any material uncertainty was deemed to exist in such event or circumstances, we must provide a reminder in the audit report for the users of the individual financial statements to pay attention to the relevant disclosure therein, or amend our audit opinions when such disclosure is inappropriate. Our conclusion was drawn based on the audit evidence acquired as of the date of this audit report. However, future events or circumstances might result in a situation where KENMEC MECHANICAL ENGINEERING CO., LTD. would no longer have its ability as a going concern.
5. We evaluated the overall presentation, structure, and contents of the individual financial statements (including relevant notes), and whether the individual financial statements presented the relevant transactions and events fairly.
6. We acquired sufficient and appropriate audit evidence for the financial information of the entities forming KENMEC MECHANICAL ENGINEERING CO., LTD. to provide opinions regarding the individual financial statements. We were responsible for guidance, supervision and implementation in relation to audit cases and formation of audit opinions for KENMEC MECHANICAL ENGINEERING CO., LTD.

The matters for which we communicated with the governing bodies include the planned audit scope and time, as well as major audit findings (including the significant deficiencies of the internal control identified during the audit).

We also provided a declaration of independence to the governing bodies, which assured that we complied with the requirements related to independence in the Norm of Professional Ethics for Certified Public Accountant, and communicated all relationships and other matters (including relevant protective measures) which we deemed to be likely to cause an impact on the independence of CPAs to the governing bodies.

The key audit matters in the audit of the individual financial statements of KENMEC MECHANICAL ENGINEERING CO., LTD. for 2020 were selected by us from the matters addressed in our communication with the governing bodies. We specified such matters in the audit report except when public disclosure of certain matters was prohibited by related laws or regulations, or in very exceptional circumstances, we determined not to cover such matters in the audit report as we could reasonably expect that the negative impact of the coverage would be greater than the public interest brought.

Deloitte Taiwan
CPA LI-HUANG LI

CPA HUI-MING CHEN

No. of Approval Doc. from the Securities
and Futures Commission
Tai-Cai-Zheng-Liu-Zi No. 0930128050

No. of Approval Doc. from the Securities and
Futures Commission
Tai-Cai-Zheng-Liu-Zi No. 0920123784

March 26, 2021

KENMEC MECHANICAL ENGINEERING CO., LTD.
Individual Balance Sheet
December 31, 2020 and 2019

Unit: 1,000s of NTD

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
Current assets					
1100	Cash and cash equivalents (Note 6)	\$ 207,070	4	\$ 331,454	6
1110	Financial assets measured at fair value through profit or loss – current (Note 7)	330,895	6	113,592	2
1136	Financial assets measured at amortized cost – current (Note 9)	206,071	4	381,945	7
1140	Contract assets – current (Notes 22 and 24)	256,168	4	239,519	4
1150	Notes receivable – the non-related party (Note 10)	275	-	11,047	-
1170	Accounts receivable – the non-related party (Note 10)	157,718	3	152,353	3
1180	Accounts receivable – the related party (Notes 10 and 33)	12,184	-	9,811	-
1200	Other receivables (Note 10)	1,475	-	14,151	-
1210	Other receivables – the related party (Notes 10 and 33)	1,053,495	19	1,410,372	24
1220	Current income tax assets (Note 26)	7,595	-	2,903	-
130X	Inventory (Note 11)	20,392	-	12,502	-
1429	Prepayments (Note 16)	50,357	1	15,415	-
1470	Other current assets (Notes 16 and 34)	165,084	3	217,240	4
11XX	Total current assets	<u>2,468,779</u>	<u>44</u>	<u>2,912,304</u>	<u>50</u>
Non-current assets					
1510	Financial assets measured at fair value through profit or loss – non-current (Note 7)	44,141	1	45,628	1
1517	Financial assets measured at fair value through other comprehensive income – non-current (Note 8)	28,145	-	36,062	1
1535	Financial assets measured at amortized cost – non-current (Note 9)	26,752	-	36,919	1
1550	Investment under the equity method (Note 12)	1,393,853	25	1,390,536	24
1600	Property, plants, and equipment (Notes 13 and 34)	1,119,159	20	794,178	13
1755	Right-of-use assets (Note 14)	8,979	-	22,561	-
1780	Other intangible assets (Note 15)	7,168	-	5,868	-
1840	Deferred income tax assets (Note 26)	201,308	4	197,145	3
1990	Other non-current assets (Notes 10, 16 and 34)	328,813	6	412,219	7
15XX	Total non-current assets	<u>3,158,318</u>	<u>56</u>	<u>2,941,116</u>	<u>50</u>
1XXX	Total assets	<u>\$ 5,627,097</u>	<u>100</u>	<u>\$ 5,853,420</u>	<u>100</u>
Liabilities and equity					
Current liabilities					
2100	Short-term loans (Note 17)	\$ 200,000	4	\$ 70,000	1
2130	Contract liabilities – current (Notes 22 and 24)	522,798	9	489,880	8
2150	Notes payable – the non-related party (Note 18)	208	-	2,407	-
2170	Accounts payable – the non-related party (Note 18)	147,885	3	151,511	3
2180	Accounts payable – the related party (Note 18 and 33)	2,962	-	4,375	-
2219	Other payables (Note 19)	106,503	2	229,033	4
2220	Other payables – the related party (Notes 19 and 33)	138	-	940	-
2230	Current income tax liabilities (Note 26)	14,842	-	-	-
2250	Liability reserve – current (Note 20)	19,580	-	22,394	-
2280	Lease liabilities – current (Note 14)	4,792	-	4,972	-
2320	Long-term loans maturing within one year (Note 17)	11,784	-	54,872	1
2399	Other current liabilities	3,100	-	5,118	-
21XX	Total current liabilities	<u>1,034,592</u>	<u>18</u>	<u>1,035,502</u>	<u>17</u>
Non-current liabilities					
2540	Long-term loans (Note 17)	446,817	8	118,675	2
2580	Lease liabilities – non-current (Note 14)	-	-	4,833	-
2570	Deferred income tax liabilities (Note 26)	56,330	1	56,108	1
2640	Net defined benefit liabilities – non-current (Note 21)	86,165	2	92,276	2
2670	Other non-current liabilities (Notes 19 and 33)	5,837	-	5,457	-
25XX	Total non-current liabilities	<u>595,149</u>	<u>11</u>	<u>277,349</u>	<u>5</u>
2XXX	Total liabilities	<u>1,629,741</u>	<u>29</u>	<u>1,312,851</u>	<u>22</u>
Equity (Note 23)					
3110	Common stock capital	2,490,112	44	2,490,112	43
3200	Capital reserves	903,455	16	887,095	15
Retained earnings					
3310	Legal reserves	134,786	2	-	-
3320	Special reserves	328,572	6	119,346	2
3350	Undistributed earnings	419,348	8	1,347,856	23
3300	Total retained earnings	<u>882,706</u>	<u>16</u>	<u>1,467,202</u>	<u>25</u>
Other equities					
3410	Exchange differences on translation of financial statements of foreign operations	(264,268)	(5)	(265,996)	(5)
3420	Unrealized valuation profit/loss on financial assets measured at fair value through other comprehensive income	(14,649)	-	(6,731)	-
3400	Total other equities	<u>(278,917)</u>	<u>(5)</u>	<u>(272,727)</u>	<u>(5)</u>
3500	Treasury stocks	-	-	(31,113)	-
31XX	Total equity	<u>3,997,356</u>	<u>71</u>	<u>4,540,569</u>	<u>78</u>
Total liabilities and equity		<u>\$ 5,627,097</u>	<u>100</u>	<u>\$ 5,853,420</u>	<u>100</u>

The attached notes are part of the separate financial statements.

Chairman: CHING-FU HSIEH

Manager: CHING-FU HSIEH

Accounting Manager: CHIN-YI LAI

KENMEC MECHANICAL ENGINEERING CO., LTD.
Separate Statement of Comprehensive Income
January 1 to December 31, 2020 and 2019

Unit: 1,000s of NTD; EPS (LPS) unit: NTD

Code		2020		2019	
		Amount	%	Amount	%
	Operating revenue (Notes 5, 24 and 33)				
4100	Sales revenue	\$ 4,030	-	\$ 6,969	1
4520	Construction revenue	869,235	92	961,366	95
4600	Service revenue	<u>77,319</u>	<u>8</u>	<u>38,844</u>	<u>4</u>
4000	Total operating revenue	<u>950,584</u>	<u>100</u>	<u>1,007,179</u>	<u>100</u>
	Operating expenses (Notes 11, 21 and 33)				
5110	Sales expense	(1,872)	-	(8,588)	(1)
5520	Construction expense	(660,008)	(69)	(593,341)	(59)
5600	Service expense	(76,218)	(8)	(41,095)	(4)
5800	Other operating expenses	<u>2,975</u>	<u>-</u>	<u>(11,476)</u>	<u>(1)</u>
5000	Total operating expenses	<u>(735,123)</u>	<u>(77)</u>	<u>(654,500)</u>	<u>(65)</u>
5900	Gross operating profit	215,461	23	352,679	35
5910	Unrealized profits/losses from subsidiaries, associates and joint ventures (Note 33)	(9,051)	(1)	(33,724)	(3)
5920	Realized profits/losses from subsidiaries, associates and joint ventures (Note 33)	<u>35,482</u>	<u>4</u>	<u>68,259</u>	<u>7</u>
5950	Realized operating gross profit	<u>241,892</u>	<u>26</u>	<u>387,214</u>	<u>39</u>
	Operating expenses (Notes 10, 21 and 33)				
6100	Marketing expense	(100,474)	(11)	(111,936)	(11)
6200	Administrative expense	(126,611)	(13)	(286,380)	(29)
6300	R&D expense	<u>(63,585)</u>	<u>(7)</u>	<u>(72,255)</u>	<u>(7)</u>
6000	Total operating expenses	<u>(290,670)</u>	<u>(31)</u>	<u>(470,571)</u>	<u>(47)</u>

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Code		2020		2019	
		Amount	%	Amount	%
6900	Operating loss – net	<u>(\$ 48,778)</u>	<u>(5)</u>	<u>(\$ 83,357)</u>	<u>(8)</u>
	Non-operating revenue and expenses (Notes 25 and 33)				
7100	Interest income	41,581	4	40,864	4
7010	Other revenue	57,743	6	57,152	6
7020	Other profits and losses	(13,118)	(1)	1,911,367	190
7050	Financial costs	(10,338)	(1)	(12,819)	(1)
7070	Share of profit/loss of subsidiaries, associates and joint ventures under the equity method	<u>(117,517)</u>	<u>(12)</u>	<u>(559,100)</u>	<u>(56)</u>
7000	Total non-operating revenue and expenses	<u>(41,649)</u>	<u>(4)</u>	<u>1,437,464</u>	<u>143</u>
7900	Net profit (loss) before tax	(90,427)	(9)	1,354,107	135
7950	Income tax expense (Note 26)	<u>(6,725)</u>	<u>(1)</u>	<u>(8,904)</u>	<u>(1)</u>
8200	Current net profit (loss)	<u>(97,152)</u>	<u>(10)</u>	<u>1,345,203</u>	<u>134</u>
	Other comprehensive income (Notes 21 and 23)				
	Items that will not be reclassified to profit or loss:				
8311	Remeasurement of defined benefit plans	4,852	1	5,826	-
8316	Unrealized valuation profit/loss on investment in equity instruments measured at fair value through other comprehensive income	<u>(7,917)</u>	<u>(1)</u>	9,617	1

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Code		2020		2019	
		Amount	%	Amount	%
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures under the equity method	796	-	781	-
8349	Income tax relating to non-reclassified items	(<u>970</u>)	-	(<u>1,165</u>)	-
8310		(<u>3,239</u>)	-	(<u>15,059</u>)	<u>1</u>
	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of financial statements of foreign operations	(\$ 1,774)	-	(\$ 25,316)	(3)
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures under the equity method	3,518	-	(39,806)	(4)
8399	Income tax related to items likely to be reclassified	<u>355</u>	-	<u>5,065</u>	<u>1</u>
8360		<u>2,099</u>	-	(<u>60,057</u>)	(<u>6</u>)
8300	Total other comprehensive income (net) for the year	(<u>1,140</u>)	-	(<u>44,998</u>)	(<u>5</u>)
8500	Total comprehensive income for the year	(<u>\$ 98,292</u>)	(<u>10</u>)	<u>\$ 1,300,205</u>	<u>129</u>
	Earnings (losses) per share (Note 27)				
9710	Basic	(<u>\$ 0.39</u>)		<u>\$ 5.47</u>	
9810	Diluted	(<u>\$ 0.39</u>)		<u>\$ 5.37</u>	

The attached notes are part of the separate financial statements.

Chairman:
CHING-FU HSIEH

Manager:
CHING-FU HSIEH

Accounting Manager:
CHIN-YI LAI

KENMEC MECHANICAL ENGINEERING CO., LTD.
Individual Statement of Changes in Equity
January 1 to December 31, 2020 and 2019

Unit: 1,000s of NTD

Code		Share capital		Retained earnings			Other equities		Treasury stocks	Total equity	
		Number of shares (thousand shares)	Amount	Capital reserves	Legal reserves	Special reserves	Undistributed earnings	Exchange differences on translation of financial statements of foreign operations			Unrealized valuation profit/loss on financial assets measured at fair value through other comprehensive income
A1	Balance on January 1, 2019	249,011	\$ 2,490,112	\$ 961,723	\$ -	\$ 343,600	(\$ 224,254)	(\$ 198,840)	(\$ 16,325)	(\$ 26,282)	\$ 3,329,734
B15	Allocation and distribution of earnings in 2018 Special reserves for offsetting losses	-	-	-	-	(224,254)	224,254	-	-	-	-
C15	Other changes in capital reserves Cash dividends distributed from capital reserves	-	-	(123,116)	-	-	-	-	-	-	(123,116)
M5	Actual acquisition of part of interests in subsidiaries	-	-	15,278	-	-	-	(7,099)	142	-	8,321
M7	Changes in ownership interests in subsidiaries	-	-	19,312	-	-	(2,954)	-	-	-	16,358
D1	2019 net profit	-	-	-	-	-	1,345,203	-	-	-	1,345,203
D3	Other comprehensive income after tax in 2019	-	-	-	-	-	5,607	(60,057)	9,452	-	(44,998)
D5	Total comprehensive income in 2019	-	-	-	-	-	1,350,810	(60,057)	9,452	-	1,300,205
N1	Employee stock options issued by the Company	-	-	13,898	-	-	-	-	-	66,202	80,100
L1	Treasury stocks purchased	-	-	-	-	-	-	-	-	(71,033)	(71,033)
Z1	Balance on December 31, 2019	249,011	2,490,112	887,095	-	119,346	1,347,856	(265,996)	(6,731)	(31,113)	4,540,569
B1	Allocation and distribution of earnings in 2019 Legal reserves	-	-	-	134,786	-	(134,786)	-	-	-	-
B3	Special reserves	-	-	-	-	209,226	(209,226)	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	(492,022)	-	-	-	(492,022)
M5	Other changes in capital reserves Actual acquisition or disposal of part of interests in subsidiaries	-	-	54	-	-	-	(371)	(1)	-	(318)
M7	Changes in ownership interests in subsidiaries	-	-	12	-	-	-	-	-	-	12
D1	Net loss in 2020	-	-	-	-	-	(97,152)	-	-	-	(97,152)
D3	Other comprehensive income after tax in 2020	-	-	-	-	-	4,678	2,099	(7,917)	-	(1,140)
D5	Total comprehensive income in 2020	-	-	-	-	-	(92,474)	2,099	(7,917)	-	(98,292)
N1	Employee stock options issued by the Company	-	-	16,294	-	-	-	-	-	45,881	62,175
L1	Treasury stocks purchased	-	-	-	-	-	-	-	-	(14,768)	(14,768)
Z1	Balance on December 31, 2020	249,011	\$ 2,490,112	\$ 903,455	\$ 134,786	\$ 328,572	\$ 419,348	(\$ 264,268)	(\$ 14,649)	\$ -	\$ 3,997,356

The attached notes are part of the separate financial statements.

Chairman: CHING-FU HSIEH

Manager: CHING-FU HSIEH

Accounting Manager: CHIN-YI LAI

KENMEC MECHANICAL ENGINEERING CO., LTD.

Separate Statement of Cash Flow

January 1 to December 31, 2020 and 2019

Unit: 1,000s of NTD

Code		2020	2019
	Cash flow from operating activities		
A10000	Net profit (loss) before tax in the year	(\$ 90,427)	\$ 1,354,107
A20010	Profits and expenses/losses		
A20100	Depreciation expense	52,624	41,196
A20200	Amortization expense	4,554	3,367
A20300	Expected credit impairment losses	149	-
A20400	Net loss on financial assets and liabilities measured at fair value through profit or loss	79	3,417
A20900	Financial costs	10,338	12,819
A21200	Interest income	(41,581)	(40,864)
A21300	Dividend revenue	(1,811)	(2,615)
A21900	Expense on remuneration of employee stock options	15,586	14,102
A22400	Share of profit/loss of subsidiaries, associates and joint ventures under the equity method	117,517	559,100
A22500	Profit on disposal of property, plants, and equipment	-	(1,952,396)
A23700	Loss on inventory devaluation and obsolescence	300	3,199
A23900	Unrealized profits/losses from subsidiaries, associates and joint ventures	9,051	33,724
A24000	Realized profits/losses from subsidiaries, associates and joint ventures	(35,482)	(68,259)
A29900	Profit/Loss on lease modification	(1)	-
A30000	Net changes in operating assets and liabilities		
A31125	Contract assets	(20,460)	35,349
A31130	Notes receivable	10,772	(10,550)
A31150	Accounts receivable	(5,514)	36,208
A31160	Accounts receivable – related parties	(2,373)	48,134
A31180	Other receivables	140	(432)
A31190	Other receivables – related parties	5,171	(6,886)
A31200	Inventory	(8,190)	(7,615)
A31230	Prepayments	(34,942)	3,190
A31240	Other current assets	69,133	(2,181)
A31250	Other non-current assets	(338)	(4,403)
A32125	Contract liabilities	32,918	(75,107)
A32130	Notes payable	(2,199)	1,878

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Code		2020	2019
A32150	Accounts payable	(\$ 3,626)	(\$ 65,567)
A32160	Accounts payable – related parties	(1,413)	1,520
A32180	Other payables	(128,963)	86,562
A32190	Other payables – related parties	(802)	419
A32200	Liability reserve	(2,814)	3,850
A32230	Other current liabilities	(2,018)	2,132
A32240	Net defined benefit liabilities	(<u>1,259</u>)	(<u>1,080</u>)
A33000	Cash generated from operations	(55,881)	6,318
A33100	Interest received	41,819	41,064
A33300	Interest paid	(10,338)	(13,851)
A33500	Income tax paid	(<u>1,131</u>)	(<u>12,644</u>)
AAAA	Net cash inflow (outflow) from operating activities	(<u>25,531</u>)	<u>20,887</u>
	Cash flows from investing activities		
B00040	Acquisition of financial assets measured at amortized cost	-	(375,149)
B00050	Disposal of financial assets measured at amortized cost	186,041	-
B00100	Acquisition of financial assets measured at fair value through profit or loss	(1,620,042)	(1,643,310)
B00200	Disposal of financial assets measured at fair value through profit or loss	1,404,147	1,729,766
B01800	Acquisition of investment under the equity method	(91,333)	(154,625)
B02000	Increase in prepayments for investment	(15,000)	-
B02700	Purchase of property, plant and equipment	(255,659)	(20,304)
B02800	Proceeds from disposal of property, plant and equipment	-	2,494,646
B03700	Increase in guarantee deposits paid	(16,977)	(127,958)
B04100	Decrease in other receivables	12,298	4,644
B04300	Other receivables – related parties	351,706	(507,395)
B04500	Purchase of intangible assets	(5,854)	(2,916)
B05350	Acquisition of right-of-use assets	-	(17,143)
B07100	Decrease (Increase) in prepayments for equipment	543	(101,095)
B07600	Dividends received	1,811	2,615
B07700	Payment of land value-added tax	<u>-</u>	(<u>83,256</u>)
BBBB	Net cash inflow (outflow) from investing activities	(<u>48,319</u>)	<u>1,198,520</u>
	Cash flows from financing activities		
C01700	Repayment of long-term loans	(64,946)	(999,973)
C01600	Borrowing of long-term loans	350,000	-
C00200	Decrease in short-term loans	-	(50,000)
C00100	Increase in short-term loans	130,000	-

(Next page)

(Continued from previous page)

<u>Code</u>		<u>2020</u>	<u>2019</u>
C03000	Increase in guarantee deposits received	\$ 380	\$ -
C03100	Decrease in guarantee deposits received	-	(3,045)
C04020	Repayment of the principal of leases	(4,931)	(4,869)
C04500	Payment of dividends	(492,022)	(123,116)
C04900	Payment of costs of transactions in treasury stocks	(137)	(199)
C09900	Purchase of treasury stocks	(14,768)	(71,033)
C05100	Purchase of treasury stocks by employees	<u>45,890</u>	<u>66,197</u>
CCCC	Net cash outflow from financing activities	(<u>50,534</u>)	(<u>1,186,038</u>)
EEEE	Net increase (decrease) in current cash and cash equivalents	(124,384)	33,369
E00100	Balance of cash and cash equivalents at beginning of the year	<u>331,454</u>	<u>298,085</u>
E00200	Balance of cash and cash equivalents at ending of the year	<u>\$ 207,070</u>	<u>\$ 331,454</u>

The attached notes are part of the separate financial statements.

Chairman:
CHING-FU HSIEH

Manager:
CHING-FU HSIEH

Accounting Manager:
CHIN-YI LAI

Accountant's Audit Report

To KENMEC MECHANICAL ENGINEERING CO., LTD.:

Audit Opinions

We audited the consolidated balance sheets of KENMEC MECHANICAL ENGINEERING CO., LTD. and its subsidiaries (Kenmec Group) as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the periods from January 1 to December 31, 2020 and 2019, and the notes to the consolidated financial statements (including the summary of significant accounting policies).

In our opinion, the said consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and thus presented fairly, in all material aspects, the consolidated financial positions of the Kenmec Group as of December 31, 2020 and 2019, and the consolidated financial performance and cash flows for the periods from January 1 to December 31, 2020 and 2019.

Basis of Audit Opinions

In 2020, we conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards. In 2019, we conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, the Letter Jin-Guan-Zheng-Shen-Zi No. 1090360805 issued by the Financial Supervisory Commission on February 25, 2020, and the generally accepted auditing standards. Our responsibilities under such standards are further described in the "CPA's responsibility for the audit of the consolidated financial statements" section in this report. We were independent of Kenmec Group, in accordance with the Norms of Professional Ethics for Certified Public Accountants and fulfilled all other responsibilities thereunder. We believe that we acquired sufficient and appropriate audit evidence to use as the basis of our audit opinions.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of Kenmec Group for the year of 2020. Such matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinions thereon, we do not provide a separate opinion on these matters.

The key audit matters in the audit of the consolidated financial statements of Kenmec Group for the year of 2020 are as follows:

Construction revenues recognized on the basis of stage of completion

KENMEC MECHANICAL ENGINEERING CO., LTD. under the consolidated company mainly engages in the business of automated construction, and the recognition of its construction revenues is based on the calculation of stage of completion in contracts. Since the calculation of stage of completion is a matter of significance for the recognition of construction revenues, we have deemed the calculation of stage of completion for construction revenues that meet certain criteria to be a key audit matter of the consolidated financial statements of the current year. For

accounting policies and disclosure information relevant to the recognition of construction revenues, see Notes 4, 5 and 26 to the consolidated financial statements.

In addition to testing the related internal controls, we performed the following audit procedures:

1. Acquiring additional construction contracts of significance to verify whether the total contract prices are consistent with those used for the calculation of construction revenues. Verifying additional or canceled contracts with respect to additional or canceled construction projects of significance.
2. Conducting random audit on additional and amended construction budgets with respect to additional construction projects of significance and construction projects with significant changes expected in their total costs during the current year, and checking whether such budgets have been properly approved by the managers of the responsible departments for the purpose of assessing the reasonableness of changes.
3. Obtaining details of construction expenses of the current year and conducting sampling verification of the relevant evidence to check the amount of costs invested in constructions statements, verify the accuracy of stage of completion for construction revenues and ensure such revenues have been appropriately accounted for.

The verification of the shipment with respect to the revenue from parts of certain customers

Tainergy Tech. Co., Ltd. under the consolidated company mainly engages in the research, design, manufacturing and sales of solar cells, panels and related systems. Since we presumed that revenue recognition was a significant risk based on the materiality principle and the Statements on Auditing Standards, we considered that the occurrence of the sales revenue from parts of certain customers recognized by Tainergy Tech. Co., Ltd. under the consolidated company was a matter of significance to the financial statements. Therefore, the verification of the shipment with respect to the revenue from parts of the certain customers was listed as the key audit matter of the year. For the description of revenue recognition policies, see Note 4.

We performed the following main audit procedures:

1. We knew and tested the design and implementation of the internal control related to the recognition of revenue from parts of certain customers.
2. We carried out population sampling for the revenue statements of the said parts of certain customers, reviewed relevant supporting documents, and examined the collection of payments to confirm the occurrence of sales transactions.
3. We reviewed any material sales returns and discounts occurring after the balance sheet date to make sure whether there was any material misstatement of the sales revenue from the parts of certain customers.

Other Matters

KENMEC MECHANICAL ENGINEERING CO., LTD. has prepared the individual financial statements for 2020 and 2019, and an audit report with unqualified opinions was issued by us for reference.

Responsibilities of the Management and Governing Bodies for Consolidated Financial Statements

The management was responsible for preparation of the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, interpretations and the statements of interpretation approved and released by the Financial Supervisory Commission and maintaining the necessary internal control related to preparation of the consolidated financial statements to ensure that the consolidated financial statements were free of material misstatement due to fraud or error.

During preparation of the consolidated financial statements, the management was also responsible for evaluating Kenmec Group's ability as a going concern, disclosure of relevant

matters, and application of the going concern basis of accounting unless the management intended to make Kenmec Group enter into liquidation or terminate its operations, or there were no other actual or feasible solutions other than liquidation or termination of its operations.

Kenmec Group's governance unit (including the Audit Committee) was responsible for supervising the financial reporting procedures.

Responsibilities of the Accountants for the Audit of Consolidated Financial Statements

The purpose of our audit of the consolidated financial statements is to obtain reasonable assurance about whether the consolidated financial statements were free of material misstatements due to fraud or error, with an audit report issued thereafter. Reasonable assurance refers to a high level of assurance. However, we could not guarantee the detection of all material misstatements in the consolidated financial statements with the audit conducted based on the generally accepted auditing standards. Any misstatement may be due to fraud or error. If the individual or total amount misstated was reasonably expected to have an impact on the economic decision-making of the users of the consolidated financial statements, the misstatement was deemed material.

We used our professional judgment to be skeptical during the audit conducted based on the generally accepted auditing standards. We also performed the following tasks:

1. We identified and assessed the risk of any misstatement in the consolidated financial statements due to fraud or error, designed and implemented response measures suitable for the evaluated risks, and acquired sufficient and appropriate audit evidence to use as the basis of our audit opinions. Since fraud may involve collusion, forgery, omission on purpose, fraudulent statements or violation of internal control, we did not find that the risk of misstatement due to fraud was higher than the same due to errors.
2. We understood the internal control related to the audit to an extent necessary to design audit procedures applicable to the current circumstances. However, the purpose of such work was not to express opinions regarding the effectiveness of Kenmec Group's internal control.
3. We evaluated the appropriateness of the accounting policies adopted by the management and the rationality of the accounting estimates and relevant disclosure made by the management.
4. We drew a conclusion about the appropriateness of the application of the going concern basis of accounting by the management and whether the event or circumstances which might cause major doubts about Kenmec Group's ability as a going concern had a material uncertainty. If any material uncertainty was deemed to exist in such event or circumstance, we must provide a reminder in the audit report for the users of the consolidated financial statements to pay attention to the relevant disclosure therein, or amend our audit opinions when such disclosure was inappropriate. Our conclusion was drawn based on the audit evidence acquired as of the date of this audit report. However, future events or circumstances might result in a situation where Kenmec Group, would no longer have its ability as a going concern.
5. We evaluated the overall presentation, structure, and contents of the consolidated financial statements (including the relevant notes) and whether the consolidated financial statements presented relevant transactions and events fairly.
6. We acquired sufficient and appropriate audit evidence for the financial information of the entities forming the Group to provide opinions regarding the consolidated financial statements. We were responsible for instruction, supervision and conduct of the Group's audit cases, as well as the expression of the audit opinions for the Group.

The matters for which we communicated with the governing bodies include the planned audit scope and time, as well as major audit findings (including the significant deficiencies of the internal control identified during the audit).

We also provided a declaration of independence to the governing bodies, which assured that we complied with the requirements related to independence in the Norm of Professional Ethics for Certified Public Accountant, and communicated all relationships and other matters (including relevant protective measures) which we deemed to be likely to cause an impact on the independence of CPAs to the governing bodies.

The key audit matters in the audit of the consolidated financial statements of the Kenmec Group for 2020 were selected by us from the matters addressed in our communication with the governing bodies. We specified such matters in the audit report except when public disclosure of certain matters was prohibited by related laws or regulations, or in very exceptional circumstances, we determined not to cover such matters in the audit report as we could reasonably expect that the negative impact of the coverage would be greater than the public interest brought.

Deloitte Taiwan
CPALI-HUANG LI

CPAHUI-MING CHEN

No. of Approval Doc. from the Securities
and Futures Commission
Tai-Cai-Zheng-Liu-Zi No. 0930128050

No. of Approval Doc. from the Securities and
Futures Commission
Tai-Cai-Zheng-Liu-Zi No. 0920123784

March 26, 2021

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
December 31, 2020 and 2019

Unit: 1,000s of NTD

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	\$ 1,207,173	12	\$ 1,070,718	10
1110	Financial assets measured at fair value through profit or loss – current (Note 7)	331,014	3	113,592	1
1136	Financial assets measured at amortized cost – current (Note 9)	565,047	6	475,996	5
1140	Contract assets – current (Notes 24 and 26)	449,254	4	317,048	3
1150	Notes receivable – the non-related party (Note 10)	49,325	1	61,032	1
1170	Accounts receivable – the non-related party (Note 10)	485,973	5	712,311	7
1200	Other receivables (Note 10)	34,042	-	31,085	-
1220	Income tax assets in the current period (Note 28)	9,169	-	4,900	-
130X	Inventory (Note 11)	1,784,535	17	1,919,522	19
1421	Prepayments (Note 18)	163,491	2	137,849	1
1470	Other current assets (Note 18)	323,453	3	360,376	4
11XX	Total current assets	<u>5,402,476</u>	<u>53</u>	<u>5,204,429</u>	<u>51</u>
	Non-current assets				
1510	Financial assets measured at fair value through profit or loss – non-current (Note 7)	44,141	1	48,631	1
1517	Financial assets measured at fair value through other comprehensive income – non-current (Note 8)	28,145	-	36,062	-
1535	Financial assets measured at amortized cost – non-current (Note 9)	28,539	-	90,592	1
1550	Investment under the equity method (Note 13)	1,685	-	-	-
1600	Property, plants, and equipment (Note 14)	3,308,834	32	3,234,084	32
1755	Right-of-use assets (Note 15)	278,111	3	238,696	2
1760	Investment Property (Note 16)	450,396	5	478,269	5
1780	Other intangible assets (Note 17)	24,833	-	25,557	-
1840	Deferred income tax assets (Note 28)	244,566	2	229,898	2
1915	Prepayment for equipment (Note 18)	15,706	-	210,371	2
1920	Guarantee deposits paid (Note 18)	232,687	2	225,132	2
1990	Other non-current assets (Notes 10, 18 and 23)	191,404	2	220,547	2
15XX	Total non-current assets	<u>4,849,047</u>	<u>47</u>	<u>5,037,839</u>	<u>49</u>
1XXX	Total assets	<u>\$ 10,251,523</u>	<u>100</u>	<u>\$ 10,242,268</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term loans (Note 19)	\$ 980,028	10	\$ 757,846	7
2130	Contract liabilities – current (Notes 24 and 26)	747,930	7	529,500	5
2150	Notes payable – the non-related party (Note 20)	162,121	2	74,941	1
2170	Accounts payable – the non-related party (Note 20)	481,606	5	425,962	4
2200	Other payables (Note 21)	867,142	9	761,960	8
2230	Current income tax liabilities (Note 28)	15,927	-	-	-
2250	Liability reserve – current (Note 22)	30,679	-	39,417	-
2280	Lease liabilities – current (Note 15)	26,835	-	12,539	-
2320	Long-term liabilities due within a year (Note 19)	229,868	2	323,877	3
2399	Other current liabilities (Note 21)	19,665	-	58,445	1
21XX	Total current liabilities	<u>3,561,801</u>	<u>35</u>	<u>2,984,487</u>	<u>29</u>
	Non-current liabilities				
2540	Long-term loans (Note 19)	760,485	7	945,776	9
2550	Liability reserve – non-current (Note 22)	2,575	-	7,459	-
2570	Deferred income tax liabilities (Note 28)	57,507	-	56,951	1
2580	Lease liabilities – non-current (Note 15)	84,046	1	47,177	1
2630	Long-term deferred income (Notes 21 and 30)	110,393	1	137,839	1
2640	Net defined benefit liabilities – non-current (Note 23)	93,177	1	99,796	1
2670	Other non-current liabilities (Note 21)	279,420	3	104,627	1
25XX	Total non-current liabilities	<u>1,387,603</u>	<u>13</u>	<u>1,399,625</u>	<u>14</u>
2XXX	Total liabilities	<u>4,949,404</u>	<u>48</u>	<u>4,384,112</u>	<u>43</u>
	Equity attributable to the owner of the Company (Note 25)				
3110	Common stock capital	2,490,112	24	2,490,112	24
3200	Capital reserves	903,455	9	887,095	9
	Retained earnings				
3310	Legal reserves	134,786	2	-	-
3320	Special reserves	328,572	3	119,346	1
3350	Undistributed earnings	419,348	4	1,347,856	13
3300	Total retained earnings	882,706	9	1,467,202	14
	Other equities				
3410	Exchange differences on translation of financial statements of foreign operations	(264,268)	(3)	(265,996)	(3)
3420	Unrealized valuation profit/loss on financial assets measured at fair value through other comprehensive income	(14,649)	-	(6,731)	-
3400	Total other equities	(278,917)	(3)	(272,727)	(3)
3500	Treasury stocks	-	-	(31,113)	-
31XX	Total equity of the owner of the Company	<u>3,997,356</u>	<u>39</u>	<u>4,540,569</u>	<u>44</u>
36XX	Non-controlling interests (Notes 25 and 32)	1,304,763	13	1,317,587	13
3XXX	Total equity	<u>5,302,119</u>	<u>52</u>	<u>5,858,156</u>	<u>57</u>
	Total liabilities and equity	<u>\$ 10,251,523</u>	<u>100</u>	<u>\$ 10,242,268</u>	<u>100</u>

The attached notes are part of the consolidated financial statements.

Chairman: CHING-FU HSIEH

Manager: CHING-FU HSIEH

Accounting Manager: CHIN-YI LAI

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to December 31, 2020 and 2019

Unit: 1,000s of NTD;
EPS (LPS) unit: NTD

Code		2020		2019	
		Amount	%	Amount	%
	Operating revenue				
4100	Operating revenue (Note 26)	\$ 4,298,290	100	\$ 4,363,773	100
	Operating expense				
5110	Operating expense (Note 11)	(3,761,303)	(87)	(4,042,566)	(93)
5900	Gross operating profit	<u>536,987</u>	<u>13</u>	<u>321,207</u>	<u>7</u>
	Operating expenses (Notes 27 and 36)				
6100	Marketing expense	(132,714)	(3)	(125,714)	(3)
6200	Administrative expense	(451,939)	(11)	(675,903)	(15)
6300	R&D expense	(107,507)	(2)	(101,833)	(2)
6450	Expected credit impairment gains (losses)	<u>1,849</u>	<u>-</u>	(161,623)	(4)
6000	Total operating expenses	(690,311)	(16)	(1,065,073)	(24)
6900	Operating loss – net	(153,324)	(3)	(743,866)	(17)
	Non-operating revenue and expenses (Notes 13, 27 and 36)				
7100	Interest income	12,641	-	13,701	1
7010	Other revenue	166,113	4	92,943	2
7020	Other profits and losses	(51,803)	(1)	1,709,763	39
7050	Financial costs	(76,908)	(2)	(93,018)	(2)
7060	The share of the profit or loss of affiliated companies, joint ventures that adopt equity method	<u>153</u>	<u>-</u>	<u>-</u>	<u>-</u>
7000	Total non-operating revenue and expenses	<u>50,196</u>	<u>1</u>	<u>1,723,389</u>	<u>40</u>
7900	Net profit (loss) before tax	(103,128)	(2)	979,523	23
7950	Tax benefits (Note 28)	<u>3,503</u>	<u>-</u>	<u>15,573</u>	<u>-</u>
8200	Current net profit (loss)	(99,625)	(2)	<u>995,096</u>	<u>23</u>

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Code		2020		2019	
		Amount	%	Amount	%
	Other comprehensive income				
	Items that will not be reclassified to profit or loss:				
8311	Re-measurement of the defined benefit plan (Note 23)	\$ 5,235	-	\$ 6,516	-
8316	Unrealized valuation profit/loss on investment in equity instruments measured at fair value through other comprehensive income (Note 25)	(7,917)	-	9,452	-
8349	Income tax relating to non-reclassified items (Note 28)	(970)	-	(1,165)	-
8310		(3,652)	-	14,803	-
	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of financial statements of foreign operations (Note 25)	(29,656)	(1)	(116,563)	(3)
8399	Income tax related to items likely to be reclassified (Note 28)	355	-	15,016	1
8360		(29,301)	(1)	(101,547)	(2)
8300	Other comprehensive income (after tax) in the year	(32,953)	(1)	(86,744)	(2)
8500	Total comprehensive income for the year	(\$ 132,578)	(3)	\$ 908,352	21
	Net profit (loss) attributable to:				
8610	The owner of the Company	(\$ 97,152)	(2)	\$ 1,345,203	31
8620	Non-controlling equity	(2,473)	-	(350,107)	(8)
8600		(\$ 99,625)	(2)	\$ 995,096	23
	Total comprehensive income attributable to:				
8710	The owner of the Company	(\$ 98,292)	(2)	\$ 1,300,205	30
8720	Non-controlling equity	(34,286)	(1)	(391,853)	(9)
8700		(\$ 132,578)	(3)	\$ 908,352	21
	Earnings (losses) per share (Note 29)				
9750	Basic	(\$ 0.39)		\$ 5.47	

9850 Diluted (\$ 0.39) \$ 5.37

The attached notes are part of the consolidated financial statements.

Chairman:
CHING-FU HSIEH

Manager:
CHING-FU HSIEH

Accounting Manager:
CHIN-YI LAI

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity
January 1 to December 31, 2020 and 2019

Unit: 1,000s of NTD

Equity attributable to the owner of the Company

Code		Share capital		Retained earnings			Other equities		Treasury stocks	Total	Non-controlling equity	Total equity	
		Number of shares (thousand shares)	Common stock capital	Capital reserves	Legal reserves	Special reserves	(Losses requiring compensation)	Exchange differences on translation of financial statements of foreign operations					Unrealized valuation profit/loss on financial assets measured at fair value through other comprehensive income
A1	Balance on January 1, 2019	249,011	\$ 2,490,112	\$ 961,723	\$ -	\$ 343,600	(\$ 224,254)	(\$ 198,840)	(\$ 16,325)	(\$ 26,282)	\$ 3,329,734	\$ 1,741,076	\$ 5,070,810
B15	Allocation and distribution of earnings in 2018 Special reserves for offsetting losses	-	-	-	-	(224,254)	224,254	-	-	-	-	-	-
C15	Other changes in capital reserves: Cash dividends distributed from capital reserves	-	-	(123,116)	-	-	-	-	-	-	(123,116)	-	(123,116)
M5	Actual acquisition of part of interests in subsidiaries	-	-	15,278	-	-	-	(7,099)	142	-	8,321	(8,321)	-
M7	Changes in ownership interests in subsidiaries	-	-	19,312	-	-	(2,954)	-	-	-	16,358	(16,358)	-
D1	2019 Net profit	-	-	-	-	-	1,345,203	-	-	-	1,345,203	(350,107)	995,096
D3	Other comprehensive income after tax in 2019	-	-	-	-	-	5,607	(60,057)	9,452	-	(44,998)	(41,746)	(86,744)
D5	Total comprehensive income in 2019	-	-	-	-	-	1,350,810	(60,057)	9,452	-	1,300,205	(391,853)	908,352
N1	Employee stock options issued by the Company	-	-	13,898	-	-	-	-	-	66,202	80,100	-	80,100
L1	Treasury stocks purchased	-	-	-	-	-	-	-	-	(71,033)	(71,033)	-	(71,033)
O1	Changes in non-controlling interests (Note 32)	-	-	-	-	-	-	-	-	-	-	(6,957)	(6,957)
Z1	Balance on December 31, 2019	249,011	2,490,112	887,095	-	119,346	1,347,856	(265,996)	(6,731)	(31,113)	4,540,569	1,317,587	5,858,156
B1	Allocation and distribution of earnings in 2019 Legal reserves	-	-	-	134,786	-	(134,786)	-	-	-	-	-	-
B3	Special reserves	-	-	-	-	209,226	(209,226)	-	-	-	-	-	-
B5	Cash dividends to the shareholders of the Company	-	-	-	-	-	(492,022)	-	-	-	(492,022)	-	(492,022)
M5	Other changes in capital reserves: Actual acquisition or disposal of part of interests in subsidiaries	-	-	54	-	-	-	(371)	(1)	-	(318)	318	-
M7	Changes in ownership interests in subsidiaries	-	-	12	-	-	-	-	-	-	12	(12)	-
D1	Net profit in 2020	-	-	-	-	-	(97,152)	-	-	-	(97,152)	(2,473)	(99,625)
D3	Other comprehensive income after tax in 2020	-	-	-	-	-	4,678	2,099	(7,917)	-	(1,140)	(31,813)	(32,953)
D5	Total comprehensive income in 2020	-	-	-	-	-	(92,474)	2,099	(7,917)	-	(98,292)	(34,286)	(132,578)
N1	Employee stock options issued by the Company	-	-	16,294	-	-	-	-	-	45,881	62,175	88	62,263
L1	Treasury stocks purchased	-	-	-	-	-	-	-	-	(14,768)	(14,768)	-	(14,768)
O1	Changes in non-controlling interests (Note 32)	-	-	-	-	-	-	-	-	-	-	21,068	21,068
Z1	Balance on December 31, 2020	249,011	\$ 2,490,112	\$ 903,455	\$ 134,786	\$ 328,572	\$ 419,348	(\$ 264,268)	(\$ 14,649)	\$ -	\$ 3,997,356	\$ 1,304,763	\$ 5,302,119

The attached notes are part of the consolidated financial statements.

Chairman: CHING-FU HSIEH

Manager: CHING-FU HSIEH

Accounting Manager: CHIN-YI LAI

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flow
January 1 to December 31, 2020 and 2019

Unit: 1,000s of NTD

Code		2020	2019
	Cash flow from operating activities		
A10000	Net profit (loss) before tax in the year	(\$ 103,128)	\$ 979,523
A20010	Profits and expenses/losses		
A20100	Depreciation expense	459,331	618,454
A20200	Amortization expense	7,875	5,272
A20300	Expected losses on credit impairment (gain on reversal)	(1,849)	161,623
A20400	Net loss on financial assets and liabilities measured at fair value through profit or loss	2,940	4,531
A20900	Financial costs	76,908	93,018
A21200	Interest income	(12,641)	(13,701)
A21300	Dividend revenue	(1,811)	(2,615)
A21900	Expense on remuneration of employee stock options	16,510	14,102
A22300	The share of the profit or loss of affiliated companies, joint ventures that adopt equity method	(153)	-
A22500	Loss (Profit) on disposal of property, plant and equipment	325	(1,989,511)
A23200	Loss on disposal of subsidiaries	50,196	-
A23700	Impairment loss from non-financial assets	5,210	370,080
A23800	Profit on reversal of impairment loss from non-financial assets	(39,236)	-
A29900	Reversal of deferred income	(28,326)	(23,156)
A22900	Profit/Loss on lease modification	(62)	(1,991)
A30000	Net changes in operating assets and liabilities		
A31125	Contract assets	(139,079)	(297,089)
A31130	Notes receivable	11,707	76,777
A31150	Accounts receivable	200,020	65,329
A31180	Other receivables	(18,601)	7,013
A31200	Inventory	161,564	145,300
A31230	Prepayments	(22,129)	46,646
A31240	Other current assets	32,723	76,080
A31990	Other non-current assets	44,448	(32,658)
A32110	Possession of financial liabilities for transactions	-	(1,046)
A32125	Contract liabilities	218,430	59,166
A32130	Notes payable	87,180	(61,442)

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Code		2020	2019
A32150	Accounts payable	\$ 55,644	(\$ 157,919)
A32180	Other payables	(99,590)	7,694
A32200	Liability reserve	(13,622)	7,556
A32230	Other current liabilities	(5,535)	48,380
A32240	Net defined benefit liabilities	(1,689)	(1,637)
A32990	Deferred income	-	(1,786)
A33000	Cash generated from operations	943,560	201,993
A33100	Interest received	13,804	10,917
A33300	Interest paid	(77,049)	(93,379)
A33500	Income tax paid	(204)	(2,974)
AAAA	Net cash inflow from operating activities	880,111	116,557
	Cash flows from investing activities		
B00040	Acquisition of financial assets measured at amortized cost	(76,620)	(350,311)
B00100	Acquisition of financial assets designated as measured at fair value through profit or loss	(1,670,042)	(1,643,308)
B00200	Disposal of financial assets designated as measured at fair value through profit or loss	1,454,170	1,749,345
B01800	Acquisition of associates	(1,532)	-
B01900	Net cash inflow from disposal of subsidiaries	248,472	-
B02000	Increase in prepayments for investment	(15,000)	-
B02700	Purchase of property, plant and equipment	(714,308)	(215,308)
B02800	Proceeds from disposal of property, plant and equipment	6,649	2,588,529
B03700	Increase in guarantee deposits paid	(7,555)	(114,899)
B04200	Decrease in other receivables	12,298	4,644
B04500	Purchase of intangible assets	(7,151)	(22,950)
B05400	Acquisition of right-of-use assets	(1,077)	(17,142)
B07600	Dividends received	1,811	2,615
B07100	Increase in prepayments for equipment	(9,805)	(311,397)
B07700	Payment of land value-added tax	-	(83,256)
BBBB	Net cash inflow (outflow) from investing activities	(779,690)	1,586,562
	Cash flows from financing activities		
C00100	Increase in short-term loans	222,182	-
C00200	Decrease in short-term loans	-	(787,004)

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Code		2020	2019
C01600	Borrowing of long-term loans	529,180	378,724
C01700	Repayment of long-term loans	(414,606)	(1,328,993)
C03000	Increase in guarantee deposits received	174,793	14,329
C04200	Repayment of the principal of leases	(14,277)	(15,118)
C04500	Payment of dividends to the owner of the Company	(\$ 492,022)	(\$ 123,116)
C04800	Purchase of treasury stocks	(14,768)	(71,033)
C04900	Payment of costs of transactions in treasury stocks	(137)	(199)
C05100	Purchase of treasury stocks by employees	45,890	66,197
C05800	Changes in non-controlling interests (Note 32)	<u>21,068</u>	(<u>6,957</u>)
CCCC	Net cash inflow (outflow) from financing activities	<u>57,303</u>	(<u>1,873,170</u>)
DDDD	Effect of exchange rate changes on cash and cash equivalents	(<u>21,269</u>)	(<u>30,812</u>)
EEEE	Net increase (decrease) in cash and cash equivalents	136,455	(200,863)
E00100	Balance of cash and cash equivalents at beginning of the year	<u>1,070,718</u>	<u>1,271,581</u>
E00200	Balance of cash and cash equivalents at ending of the year	<u>\$ 1,207,173</u>	<u>\$ 1,070,718</u>

The attached notes are part of the consolidated financial statements.

Chairman:
CHING-FU HSIEH

Manager:
CHING-FU HSIEH

Accounting Manager:
CHIN-YI LAI

KENMEC MECHANICAL ENGINEERING CO., LTD.
Table of Comparison of the Clauses Before and After Amendment of
the Articles of Incorporation

Clause	After amendment	Before amendment	Description
Article 19	(Deleted)	The distribution of the Company's profits or the compensation for its losses may be made after the end of each quarter. Any distribution of profits in cash shall be subject to a decision by the Board of Directors in accordance with Article 228-1 and Paragraph 5, Article 240 of the Company Act and be submitted in a report to the shareholders' meeting, whose ratification thereof is not required.	In consideration of the current practices and operations in distribution of the Company's profits.
Article 22	This Articles of Incorporation was established on June 21, 1976. 1st amendment on November 3, 1977. .. . 34th amendment on June 23, 2020. 35th amendment on June 25, 2020.	This Articles of Incorporation was established on June 21, 1976. 1st amendment on November 3, 1977. . . 34th amendment on June 23, 2020. (Deleted)	Added the number and date of amendment.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Table of Comparison of the Clauses Before and After Amendment of
the Rules of Procedure for Shareholders' Meeting

Clause	After amendment	Before amendment	Description
Article 3	<p>Paragraphs 1, 2, 3 and 4 are omitted.</p> <p>The election or discharge of directors, amendment to the Articles of Incorporation, <u>capital reduction, application for cessation of public offering, approval for directors to compete with the Company, capital increase from retained earnings or capital reserve, the dissolution, merger or division of the Company or the matters set forth in Paragraph 1, Article 185 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act and Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers</u> shall be included in the reasons for convening the meeting and may not be proposed in the form of an extempore motion.</p> <p>Any shareholder holding 1% or more of the total outstanding shares may submit to the Company a proposal for any regular shareholders' meeting. Such a proposal, however, shall be limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. Where any of the circumstances under Paragraph 4, Article 172-1 of the Company Act applies to a proposal submitted by any shareholder, the Board of Directors may exclude it from the meeting agenda. <u>Any shareholder may submit a proposal for suggestions on urging the Company to enhance public interest or fulfill social responsibility. Procedurally, a shareholder may submit only one such proposal in accordance with Article 172-1 of the Company Act, and no proposal will be included in the meeting agenda if more than one has been submitted.</u></p>	<p>Paragraphs 1, 2, 3 and 4 are omitted.</p> <p>The election or discharge of directors, amendment to the Articles of Incorporation, the dissolution, merger or division of the Company or the matters set forth in Paragraph 1, Article 185 of the Company Act and Articles 26-1 and 43-6 of the Securities and Exchange Act shall be included in the reasons for convening the meeting and may not be proposed in the form of an extempore motion.</p> <p>Any shareholder holding 1% or more of the total outstanding shares may submit to the Company a proposal for any regular shareholders' meeting. Such a proposal, however, shall be limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. Where any of the circumstances under Paragraph 4, Article 172-1 of the Company Act applies to a proposal submitted by any shareholder, the Board of Directors may exclude it from the meeting agenda.</p>	Amended in accordance with the law.

Clause	After amendment	Before amendment	Description
	(Paragraphs 7, 8, and 9 are omitted).	(Paragraphs 7, 8, and 9 are omitted).	
Article 11	<p>(Statements by Shareholders)</p> <p>Before any attending shareholder delivers a statement, the shareholder shall submit a speaker's slip containing the subject of his/her statement and his/her account number (or attendance card number) and account name. The chairperson shall determine the order in which the shareholder delivers his/her statement.</p> <p>Any shareholder who has submitted a speaker's slip without delivering his/her statement shall be deemed as not having delivered any statement at all. In the event of any inconsistency between the statement delivered and that contained in the speaker's slip, the statement delivered shall prevail. Unless the chairperson gives consent, no shareholder may deliver his/her statement more than twice on the same proposal, and each statement may not be delivered for more than five minutes. If the shareholder's statement violates this Rules or exceeds the scope of the proposal, the chairperson may stop the delivery of his/her statement.</p> <p>When a shareholder is delivering his/her statement, any other shareholder may not interrupt with his/her own statement without consent by both the chairperson and the shareholder delivering the statement. The chairperson shall stop any such interruption.</p> <p>Where any shareholder who is a juristic person is represented by two or more persons at the shareholders' meeting, only one of them may be selected to deliver a statement on the same proposal.</p> <p>After the attending shareholders have delivered their statements, the chairperson may give or have designated persons give responses.</p>	<p>(Statements by Shareholders)</p> <p><u>Time for statement: No shareholder may deliver his/her statement for more than five minutes. Subject to the consent of the chairperson, a three-minute extension may be given only once.</u></p> <p>Before any attending shareholder delivers a statement, the shareholder shall submit a speaker's slip containing the subject of his/her statement and his/her account number (or attendance card number) and account name. The chairperson shall determine the order in which the shareholder delivers his/her statement.</p> <p>Any shareholder who has submitted a speaker's slip without delivering his/her statement shall be deemed as not having delivered any statement at all. In the event of any inconsistency between the statement delivered and that contained in the speaker's slip, the statement delivered shall prevail. Unless the chairperson gives consent, no shareholder may deliver his/her statement more than twice on the same proposal, and each statement may not be delivered for more than five minutes. If the shareholder's statement violates this Rules or exceeds the scope of the proposal, the chairperson may stop the delivery of his/her statement.</p> <p>When a shareholder is delivering his/her statement, any other shareholder may not interrupt with his/her own statement without consent by both the chairperson and the shareholder delivering the statement. The chairperson shall stop any such interruption.</p> <p>Where any shareholder who is a juristic person is represented by two or more persons at the shareholders' meeting, only one of them may be selected to deliver a statement on the same proposal.</p> <p>After the attending shareholders</p>	Amended due to the status of actual operation and implementation.

Clause	After amendment	Before amendment	Description
		have delivered their statements, the chairperson may give or have designated persons give responses.	
Article 13	<p>Paragraphs 1 and 2 are omitted. Any shareholder exercising voting rights in a written or electronic form under the preceding paragraph shall deliver his/her intention to do so to the Company <u>two</u> days before the date of the shareholders' meeting. Where duplicate intentions are delivered, the one received first shall prevail, unless a statement has been made to withdraw the said intention. Where any shareholder who has exercised voting rights in a written or electronic form intends to attend the shareholders' meeting in person, the shareholder shall withdraw his/her previous intention to exercise voting rights in the same way in which he/she has exercised voting rights at least <u>two days before</u> the date of the shareholders' meeting. If the said intention is withdrawn after that period, the voting rights exercised in a written or electronic form shall prevail. Where any shareholder who has exercised voting rights in a written or electronic form has appointed a proxy to attend the shareholders' meeting through a letter of attorney, the voting rights exercised by the appointed proxy at the meeting shall prevail. Except as otherwise provided in the Company Act and the Articles of Incorporation of the Company, a proposal shall be adopted by a majority of the voting rights represented by the attending shareholders. At the time of a vote for each proposal, the chairperson or a person designated by him/her shall first announce the total number of voting rights represented by the attending shareholders, <u>and then the shareholders will vote on the proposal. After the conclusion of the meeting, the results for each proposal, including the numbers of</u></p>	<p>Paragraphs 1 and 2 are omitted. Any shareholder exercising voting rights in a written or electronic form under the preceding Paragraph shall deliver his/her intention to do so to the Company <u>five</u> days before the date of the shareholders' meeting. Where duplicate intentions are delivered, the one received first shall prevail, unless a statement has been made to withdraw the said intention. Where any shareholder who has exercised voting rights in a written or electronic form intends to attend the shareholders' meeting in person, the shareholder shall withdraw his/her previous intention to exercise voting rights in the same way in which he/she has exercised voting rights at least <u>one day before</u> the date of the shareholders' meeting. If the said intention is withdrawn after that period, the voting rights exercised in a written or electronic form shall prevail. Where any shareholder who has exercised voting rights in a written or electronic form has appointed a proxy to attend the shareholders' meeting through a letter of attorney, the voting rights exercised by the appointed proxy at the meeting shall prevail. Except as otherwise provided in the Company Act and the Articles of Incorporation of the Company, a proposal shall be adopted by a majority of the voting rights represented by the attending shareholders. At the time of a vote for <u>each proposal</u>, the chairperson or any person designated by him/her shall first announce the total number of voting rights represented by the attending shareholders. <u>A proposal shall be deemed adopted if no objection is raised by any attending shareholder in response to</u></p>	Amended in accordance with the law.

Clause	After amendment	Before amendment	Description
	<p><u>votes for and against and the number of abstentions, shall be entered into the MOPS on the same day of the meeting.</u></p> <p>Where there is any amendment or alternative to a proposal, the chairperson shall determine the order in which the amended or alternative proposal together with the original one are put to a vote. If one of the proposals is adopted, the other proposal shall be deemed as rejected, and no further voting is required.</p> <p>Persons responsible for monitoring and counting the votes on proposals shall be designated by the chairperson. Any vote monitor shall be a shareholder.</p> <p>Votes shall be counted publicly at the venue of the shareholders' meeting, and the voting result shall be announced on-site and recorded.</p>	<p><u>an inquiry by the chairperson, and the proposal shall be as valid as if adopted by a vote. If any objection is raised, the proposal shall be put to a vote in accordance with the preceding paragraph. With the exception of the proposals included in the meeting agenda, any other proposal made by any shareholder or any amendment or alternative to the original proposal shall be supported by other shareholders. The voting rights represented by the shareholders making and supporting such a proposal shall be at least 1% of the voting rights of the total outstanding shares.</u></p> <p>Where there is any amendment or alternative to a proposal, the chairperson shall determine the order in which the amended or alternative proposal together with the original one are put to a vote. If one of the proposals is adopted, the other proposal shall be deemed as rejected, and no further voting is required.</p> <p>Persons responsible for monitoring and counting the votes on proposals shall be designated by the chairperson. Any vote monitor shall be a shareholder.</p> <p>Votes shall be counted publicly at the venue of the shareholders' meeting, and the voting result shall be announced on-site and recorded.</p>	
Article 15	<p>(Resolutions)</p> <p>Resolutions adopted by a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed by or stamped with the seal of the chairperson and distributed to all shareholders within 20 days after the conclusion of the meeting. The meeting minutes under the preceding paragraph may be produced and distributed in an electronic form.</p> <p>The meeting minutes under paragraph 1 may be distributed by a public disclosure made on the MOPS.</p> <p>The meeting minutes shall</p>	<p>(Resolutions)</p> <p>Resolutions adopted by a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed by or stamped with the seal of the chairperson and distributed to all shareholders within 20 days after the conclusion of the meeting. The meeting minutes under the preceding paragraph may be produced and distributed in an electronic form.</p> <p>The meeting minutes under paragraph 1 may be distributed by a public disclosure made on the MOPS.</p> <p>The meeting minutes shall</p>	Amended in accordance with the law.

Clause	After amendment	Before amendment	Description
	<p>accurately record the year, month, day and venue of the meeting, the chairperson’s name, the method of resolution, a summary of the meeting and the meeting results. The meeting minutes shall be retained permanently for the duration of the existence of the Company. The attendance book or sign-in cards of the attending shareholders and the letters of attorney for proxy attendance shall be retained for at least one year. Where any shareholder files a lawsuit pursuant to Article 189 of the Company Act, the said records shall be retained until conclusion of the lawsuit.</p>	<p>accurately record the year, month, day and venue of the meeting, the chairperson’s name, the method of resolution, a summary of the meeting and the meeting results. The meeting minutes shall be retained permanently for the duration of the existence of the Company. The attendance book or sign-in cards of the attending shareholders and the letters of attorney for proxy attendance shall be retained for at least one year. Where any shareholder files a lawsuit pursuant to Article 189 of the Company Act, the said records shall be retained until conclusion of the lawsuit.</p> <p><u>Where no objection is raised by any shareholder against a proposal in response to an inquiry by the chairperson, the method of resolution under the preceding paragraph shall be recorded as “adopted without objection raised by any shareholder in response to an inquiry by the chairperson.”</u></p> <p><u>Where objection is raised by any shareholder against a proposal, the proposal shall be recorded as adopted by voting with the number and percentage of voting rights for approval indicated.</u></p>	
Article 20	<p>This Rules was established on April 23, 1999. 1st amendment on June 25, 2002. 2nd amendment on June 27, 2012. 3rd amendment on June 30, 2016. <u>4th amendment on June 25, 2021.</u></p>	<p>This Rules was established on April 23, 1999. 1st amendment on June 25, 2002. 2nd amendment on June 27, 2012. 3rd amendment on June 30, 2016.</p>	<p>Added an amendment date.</p>

Appendix 1. Legal Percentages and Numbers of Shares Held by All Directors

- I. The paid-up capital of the Company is NTD2,490,111,500, and the total number of shares issued is 249,011,150. In accordance with Paragraph 2, Article 26 of the Securities and Exchange Act, the minimum number of shares held by all directors of the Company is 12,000,000.
- II. As of the book closure date for the shareholders' meeting (April 27, 2021), the shareholdings by individual and all directors, as recorded in the shareholder register, are as follows:

Title	Name	Number of shares held as recorded in the shareholder register on the book closure date	
		Number of shares	Shareholding percentage
Chairman	CHING-FU HSIEH	24,079,707	9.67%
Director	CHOU-HUANG PAI	12,247,086	4.92%
Director	YUEH-CHEN LIN	18,181,345	7.30%
Director	Representative of Shun-Zhong Investment Co., Ltd.: MING-KAI HSIEH	193,084	0.08%
Independent director	CHEN-TAI HSIAO	-	-
Independent director	FU-HSIUNG CHENG	-	-
Independent director	CHIEN-CHOU CHU	-	-

Note: As of the book closure date for the shareholders' meeting (**April 27, 2021**), the total number of shares held by all directors as recorded in the shareholder register is 54,701,222, which has met the requirements under Article 26 of the Securities and Exchange Act.

Appendix 2

KENMEC MECHANICAL ENGINEERING CO., LTD. Rules of Procedure for Shareholders' Meeting

Article 1: For the purposes of building a system for good governance of the shareholders' meeting of the Company, ensuring its sound supervisory functions and strengthening its management capability, this Rules of Procedure (hereinafter referred to as the "Rules") has been established in accordance with Article 5 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Article 2: Except as otherwise provided by law or the Articles of Incorporation, the rules of procedure for the shareholders' meeting of the Company shall be governed by this Rules.

Article 3: Except as otherwise provided by law, the shareholders' meeting of the Company shall be convened by the Board of Directors.

A meeting handbook shall be prepared for any regular shareholders' meeting convened, for which a 20-day prior notice shall be given to all shareholders. Any shareholder holding bearer shares shall be given a 30-day prior notice of the meeting. For any such meeting convened after the public listing of the Company, a 30-day prior notice shall be given to all shareholders. Any shareholder holding bearer shares shall be given a 45-day prior notice of the meeting. Any shareholder holding less than 1,000 registered shares may be given a 30-day prior notice of the meeting by a public disclosure made on the MOPS.

For any special shareholders' meeting convened, a 10-day prior notice shall be given to all shareholders. Any shareholder holding bearer shares shall be given a 15-day prior notice of the meeting. For any such meeting convened after the public listing of the Company, a 15-day prior notice shall be given to all shareholders. Any shareholder holding bearer shares shall be given a 30-day prior notice of the meeting. Any shareholder holding less than 1,000 registered shares may be given a 30-day prior notice of the meeting by a public disclosure made on the MOPS.

The notice and public disclosure shall specify the reasons for convening the meeting. Any such notice may be given in an electronic form with consent by the notice recipient.

The election or discharge of directors, amendment to the Articles of Incorporation, the dissolution, merger or division of the Company or the matters set forth in Paragraph 1, Article 185 of the Company Act and Articles 26-1 and 43-6 of the Securities and Exchange Act shall be included in the reasons for convening the meeting and may not be proposed in the form of an extempore motion.

Any shareholder holding 1% or more of the total outstanding shares may submit to the Company a proposal for any regular shareholders' meeting. Such a proposal, however, shall be limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. Where any of the circumstances under Paragraph 4, Article 172-1 of the Company Act applies to a proposal submitted by any shareholder, the Board of Directors may exclude it from the meeting agenda.

Prior to the book closure date before a regular shareholders' meeting is convened, the Company shall publicly announce that it will receive shareholder proposals, the location and time period for receipt of such proposals. The time period for receipt of such proposals shall be at least 10 days.

A proposal submitted by any shareholder shall be limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. Any shareholder submitting a proposal shall attend the regular shareholders' meeting in

person or by proxy and participate in the discussion of the proposal.

Prior to the date of notice of the shareholders' meeting, the Company shall inform any shareholder submitting a proposal of the result of processing of the proposal, and shall include in the meeting notice any proposal that meets the requirements of this Article. At the shareholders' meeting, the Board of Directors shall explain the reasons for exclusion of any shareholder proposal not included in the meeting agenda.

Article 4: A shareholder may appoint a proxy to attend a shareholders' meeting by presenting a letter of attorney provided by the Company which indicates the scope of authorization.

A shareholder may present only one letter of attorney and appoint only one proxy, and shall deliver the letter of attorney to the Company five days before the date of the shareholders' meeting. Where duplicate letters of attorney are delivered, the one received first shall prevail, unless a statement has been made to withdraw the said proxy.

After a letter of attorney has been delivered to the Company, if the shareholder intends to attend the meeting in person or exercise voting rights in a written or electronic form, a written notice of withdrawal of proxy shall be submitted to the Company two days before the date of the shareholders' meeting. If the notice of withdrawal is submitted after that period, the voting rights exercised by the appointed proxy at the meeting shall prevail.

Article 5: (Principles for the Location and Time of the Shareholders' Meeting)

The shareholders' meeting shall be held at the location where the Company is headquartered or a location convenient for the shareholders to attend the meeting and suitable for convening the meeting. The start time of the meeting shall be no earlier than 9 a.m. and no later than 3 p.m. The opinions of the independent directors shall be given full consideration regarding the location and time of the meeting.

Article 6: (Preparation of Attendance Book and Other Documents)

The Company shall prepare an attendance book for any attending shareholder or any proxy appointed by him/her (hereinafter referred to as a "shareholder") to sign in or, alternatively, the attending shareholder may hand in a sign-in card.

The Company shall provide any attending shareholder with a meeting handbook, the annual report, an attendance card, speaker's slips, voting slips and other meeting materials. Where there is an election of directors, ballots shall also be provided.

A shareholder shall attend the shareholders' meetings with an attendance card, a sign-in card or any other certificate of attendance. Any solicitor who solicits letters of attorney shall also bring his/her identity documents for verification.

Where the government or any juristic person is a shareholder, it may be represented by more than one person at the shareholders' meeting. Any juristic person attending the shareholders' meeting as a proxy may only be represented by one person at the meeting.

Article 7: (Chairperson and Attendees of the Shareholders' Meeting)

Any shareholders' meeting convened by the Board of Directors shall be presided over by the Chairman. If the Chairman is on leave or unable to perform his/her duties for whatever reason, the Vice Chairman shall act on his/her behalf. In the absence of a Vice Chairman or where the Vice Chairman is also on leave or unable to perform his/her duties for whatever reason, the Chairman shall appoint one of the executive directors to act on his/her behalf. In the absence of any executive director, one of the directors shall be appointed to act on behalf of the Chairman. Where the Chairman fails to make such appointment, the executive directors or directors shall select one of them to act on

behalf of the Chairman.

Any shareholders' meeting convened by the Board of Directors should be attended by a majority of the directors.

If a shareholders' meeting is convened by any person other than the Board of Directors who has the right to do so, the meeting shall be presided over by that person. Where there are two or more such persons, they shall select one of them to preside over the meeting.

Attorneys, certified public accountants or other related persons engaged by the Company may be appointed to attend a shareholders' meeting.

Article 8: (Documentation of the Shareholders' Meeting by Audio or Video)

Audio or video records of any shareholders' meeting shall be made and retained for at least one year by the Company. Where any shareholder files a lawsuit pursuant to Article 189 of the Company Act, such records shall be retained until conclusion of the lawsuit.

Article 9: Shares shall be the basis for the calculation of attendees at a shareholders' meeting.

The number of shares in attendance shall be calculated according to the number of shares indicated by the attendance book or the sign-in cards handed in, plus the number of shares whose voting rights are exercised in a written or electronic form.

The chairperson of a shareholders' meeting shall call the meeting to order at the designated start time. If the attending shareholders do not represent a majority of the total outstanding shares, the chairperson may postpone the meeting twice at most, and the duration of such postponement shall not exceed one hour in total. If the attending shareholders after the second postponement do not represent at least one-third of the total outstanding shares, the chairperson will announce adjournment of the meeting due to the lack of quorum.

If the attending shareholders after the second postponement, while still not meeting the quorum, represent at least one-third of the total outstanding shares, a tentative resolution may be adopted in accordance with Paragraph 1, Article 175 of the Company Act and communicated to the shareholders to notify them that the meeting will be convened again within one month.

If the attending shareholders before the end of the meeting already represent a majority of the total outstanding shares, the chairperson may re-propose the tentative resolution for voting at the meeting in accordance with Article 174 of the Company Act.

Article 10: (Discussion of Proposals)

If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in accordance with the set agenda, which may not be changed without a resolution of the meeting.

The provisions of the preceding paragraph shall apply mutatis mutandis to any shareholders' meeting convened by any person other than the Board of Directors who has the right to do so.

With respect to the set agenda under the preceding two paragraphs (including extempore motions), the chairperson may not unilaterally adjourn the meeting without a resolution before it ends. If the chairperson declares an adjournment in violation of this Rules, other members of the Board of Directors shall promptly assist the attending shareholders to, in accordance with legal procedures, elect a new chairperson by a majority of the voting rights held by the attending shareholders to continue the meeting. The chairperson shall give sufficient opportunities for explanation and discussion of any proposal or any amendment or extempore motion submitted by a shareholder. If the chairperson determines that the proposal, amendment or motion can be put to a vote,

he/she may end the discussion and submit the proposal, amendment or motion to a vote.

After the meeting is adjourned, the shareholders may not elect another chairperson to resume the meeting at the original or other venue.

Article 11: (Statements by Shareholders)

Time for statement: No shareholder may deliver his/her statement for more than five minutes. Subject to the consent of the chairperson, a three-minute extension may be given only once.

Before any attending shareholder delivers a statement, the shareholder shall submit a speaker's slip containing the subject of his/her statement and his/her account number (or attendance card number) and account name. The chairperson shall determine the order in which the shareholder delivers his/her statement.

Any shareholder who has submitted a speaker's slip without delivering his/her statement shall be deemed as not having delivered any statement at all. In the event of any inconsistency between the statement delivered and that contained in the speaker's slip, the statement delivered shall prevail.

Unless the chairperson gives consent, no shareholder may deliver his/her statement more than twice on the same proposal, and each statement may not be delivered for more than five minutes. If the shareholder's statement violates this Rules or exceeds the scope of the proposal, the chairperson may stop the delivery of his/her statement.

When a shareholder is delivering his/her statement, any other shareholder may not interrupt with his/her own statement without consent by both the chairperson and the shareholder delivering the statement. The chairperson shall stop any such interruption.

Where any shareholder who is a juristic person is represented by two or more persons at the shareholders' meeting, only one of them may be selected to deliver a statement on the same proposal.

After the attending shareholders have delivered their statements, the chairperson may give or have designated persons give responses.

Article 12: (Calculation of Voting Shares and Recusal System)

Shares shall be the basis for calculating the votes at a shareholders' meeting.

With respect to any resolution of a shareholders' meeting, the number of shares held by any shareholder with no voting rights shall not be calculated as part of number of the total outstanding shares.

Where any shareholder has a stake in any proposal at the meeting, and where the interest of the Company is likely to be prejudiced as a result, that shareholder may not vote on the proposal and may not exercise voting rights on behalf of any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by the attending shareholders.

Where one person has been appointed to act as a proxy for two or more shareholders, unless the person is a trust company or a stock transfer agency approved by the competent authority of securities, the voting rights exercised by the person may not exceed 3% of the voting rights of the total outstanding shares. Excessive voting rights shall not be calculated.

Article 13: A shareholder shall have one voting right for each share held, except for any shareholder whose shares are restricted or who is deemed as having no voting rights under Paragraph 2, Article 179 of the Company Act.

At a shareholders' meeting convened by the Company, voting rights may be exercised in

a written or electronic form. Where voting rights are exercised in a written or electronic form, such means of exercise shall be expressly provided in the notice of the shareholders' meeting. Any shareholder exercising voting rights in a written or electronic form will be deemed as having attended the shareholders' meeting in person, but also deemed as having waived his/her rights with respect to the extempore motions and amendments to original proposals at that meeting.

Any shareholder exercising voting rights in a written or electronic form under the preceding paragraph shall deliver his/her intention to do so to the Company five days before the date of the shareholders' meeting. Where duplicate intentions are delivered, the one received first shall prevail, unless a statement has been made to withdraw the said intention.

Where any shareholder who has exercised voting rights in a written or electronic form intends to attend the shareholders' meeting in person, the shareholder shall withdraw his/her previous intention to exercise voting rights in the same way in which he/she has exercised voting rights at least one day before the date of the shareholders' meeting. If the said intention is withdrawn after that period, the voting rights exercised in a written or electronic form shall prevail. Where any shareholder who has exercised voting rights in a written or electronic form has appointed a proxy to attend the shareholders' meeting through a letter of attorney, the voting rights exercised by the appointed proxy at the meeting shall prevail.

Except as otherwise provided in the Company Act and the Articles of Incorporation of the Company, a proposal shall be adopted by a majority of the voting rights represented by the attending shareholders. At the time of a vote for each proposal, the chairperson or any person designated by him/her shall first announce the total number of voting rights represented by the attending shareholders.

A proposal shall be deemed adopted if no objection is raised by any attending shareholder in response to an inquiry by the chairperson, and the proposal shall be as valid as if adopted by a vote. If any objection is raised, the proposal shall be put to a vote in accordance with the preceding paragraph. With the exception of the proposals included in the meeting agenda, any other proposal made by any shareholder or any amendment or alternative to the original proposal shall be supported by other shareholders. The voting rights represented by the shareholders making and supporting such a proposal shall be at least 1% of the voting rights of the total outstanding shares.

Where the same issue is accompanied with an amendment or a substitute, the chairperson shall resolve the order of voting along with the initial issue. If one of the proposals is adopted, the other proposal shall be deemed as rejected, and no further voting is required.

Persons responsible for monitoring and counting the votes on proposals shall be designated by the chairperson. Any vote monitor shall be a shareholder.

Votes shall be counted publicly at the venue of the shareholders' meeting, and the voting result shall be announced on-site and recorded.

Article 14: (Elections)

Any election of directors at a shareholders' meeting shall be held in accordance with the applicable rules of election established by the Company, and the election result shall be announced on-site.

The ballots for any election under the preceding paragraph shall be sealed with the signatures of the vote monitors and kept in proper custody for at least one year. Where any shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until conclusion of the lawsuit.

Article 15: (Resolutions)

Resolutions adopted by a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed by or stamped with the seal of the chairperson and distributed to all shareholders within 20 days after the conclusion of the meeting. The meeting minutes under the preceding paragraph may be produced and distributed in an electronic form.

The meeting minutes under paragraph 1 may be distributed by a public disclosure made on the MOPS.

The meeting minutes shall accurately record the year, month, day and venue of the meeting, the chairperson's name, the method of resolution, a summary of the meeting and the meeting results. The meeting minutes shall be retained permanently for the duration of the existence of the Company. The attendance book or sign-in cards of the attending shareholders and the letters of attorney for proxy attendance shall be retained for at least one year. Where any shareholder files a lawsuit pursuant to Article 189 of the Company Act, the said records shall be retained until conclusion of the lawsuit.

Where no objection is raised by any shareholder against a proposal in response to an inquiry by the chairperson, the method of resolution under the preceding paragraph shall be recorded as "adopted without objection raised by any shareholder in response to an inquiry by the chairperson." Where objection is raised by any shareholder against a proposal, the proposal shall be recorded as adopted by voting, with the number and percentage of voting rights indicated.

Article 16: (Public Disclosure)

On the day of a shareholders' meeting, the Company shall compile, according to the specified format, statistics of the number of shares acquired by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the venue of the shareholders' meeting.

If the resolutions adopted by a shareholders' meeting include material information as provided by law or defined by Taiwan Stock Exchange Corporation (or Taipei Exchange), the Company shall upload the resolutions including such information to the MOPS within the specified time period.

Article 17: (Maintenance of Order at the Meeting)

Any person managing the administrative affairs of a shareholders' meeting shall wear an identification badge or armband.

The chairperson may direct disciplinary officers (or security guards) to help maintain order at the meeting. A disciplinary officer or security guard shall wear an identification armband marked "Security" while maintaining order at the meeting.

Where the place of the shareholders' meeting has loudspeaker equipment, any shareholder speaking through any equipment other than that provided by the Company may be stopped by the chairperson from doing so.

Where any shareholder violates this Rules and defies the chairperson's correction, obstructs the proceedings and refuses to heed calls to stop, the chairperson may direct disciplinary officers or security guards to escort the shareholder out of the meeting.

Article 18: (Break and Resumption of Meeting)

During the process of the meeting, the chairperson may announce a break at any time deemed appropriate by him/her. In the event of force majeure, the chairperson may suspend the meeting and announce a time for resumption of the meeting depending on the circumstances.

If the meeting venue is no longer available for continued use before all of the items (including extempore motions) on the meeting agenda have been completed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted by the shareholders' meeting in accordance with Article 182 of the Company Act to delay or resume the meeting within five days.

Article 19: Supplementary Provisions:

1. Matters not provided in this Rules shall be subject to the Company Act, other applicable laws and the Articles of Incorporation.

2. This Rules and any amendment thereto shall be implemented after the adoption thereof by the shareholders' meeting.

Article 20: This Rules was established on April 23, 1999.

1st amendment on June 25, 2002.

2nd amendment on June 27, 2012.

3rd amendment on June 30, 2016.

Appendix 3

KENMEC MECHANICAL ENGINEERING CO., LTD. Articles of Incorporation

Chapter 1 General Provisions

- Article 1: The Company has been duly incorporated in accordance with the provisions of the Company Act under the name of “KENMEC MECHANICAL ENGINEERING CO., LTD.”
- Article 2: The Company’s business scope shall include the following:
001. B101010 Coal Mining
 002. B6010100 Quarrying
 003. C801100 Synthetic Resin and Plastic Manufacturing
 004. C901020 Glass and Glass Products Manufacturing
 005. CA01020 Iron and Steel Rolling and Extruding
 006. CA01050 Steel Secondary processing
 007. CA02010 Manufacture of Metal Structure and Architectural Components
 008. CA04010 Surface Treatments
 009. CB01010 Mechanical Equipment Manufacturing
 010. CB01020 Affairs Machine Manufacturing
 011. CB01030 Pollution Controlling Equipment Manufacturing
 012. CB01990 Other Machinery Manufacturing
 013. CC01010 Manufacture of Power Generation, Transmission and Distribution Machinery
 014. CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing
 015. CC01040 Lighting Equipment Manufacturing
 016. CC01060 Wired Communication Mechanical Equipment Manufacturing
 017. CC01070 Wireless Communication Mechanical Equipment Manufacturing
 018. CC01080 Electronics Components Manufacturing
 019. CC01090 Manufacture of Batteries and Accumulators
 020. CC01101 Restrained Telecom Radio Frequency Equipment and Materials Manufacturing
 021. CC01110 Computer and Peripheral Equipment Manufacturing
 022. CC01120 Data Storage Media Manufacturing and Duplicating
 023. CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
 024. CD01020 Rail Vehicle and Parts Manufacturing
 025. CE01010 General Instrument Manufacturing
 026. CE01030 Optical Instruments Manufacturing
 027. CE01990 Other Optics and Precision Instrument Manufacturing
 028. CQ01010 Mold and Die Manufacturing
 029. D101050 Combined Heat and Power
 030. D401010 Thermal Energy Supply
 031. E599010 Piping Engineering
 032. E601010 Electric Appliance Construction
 033. E601020 Electric Appliance Installation
 034. E603020 Elevator Installation Engineering
 035. E603050 Automatic Control Equipment Engineering
 036. E603080 Traffic Signs Installation Engineering
 037. E603090 Lighting Equipment Construction
 038. E604010 Machinery Installation

- 039. E605010 Computer Equipment Installation
- 040. E701030 Controlled Telecommunications Radio-Frequency Devices
Installation Engineering
- 041. E801010 Indoor Decoration
- 042. E801040 Glass Installation Engineering
- 043. EZ05010 Instrument and Meters Installation Engineering
- 044. EZ99990 Other Engineering
- 045. F106010 Wholesale of Hardware
- 046. F111090 Wholesale of Building Materials
- 047. F113010 Wholesale of Machinery
- 048. F113020 Wholesale of Electrical Appliances
- 049. F113030 Wholesale of Precision Instruments
- 050. F113050 Wholesale of Computers and Clerical Machinery Equipment
- 051. F113070 Wholesale of Telecommunication Apparatus
- 052. F113090 Wholesale of Traffic Sign Equipment and Materials
- 053. F113100 Wholesale of Pollution Controlling Equipment
- 054. F113110 Wholesale of Batteries
- 055. F113990 Wholesale of Other Machinery and Tools
- 056. F114080 Wholesale of Track Vehicle and Component Parts Thereof
- 057. F118010 Wholesale of Computer Software
- 058. F119010 Wholesale of Electronic Materials
- 059. F206010 Retail Sale of Hardware
- 060. F211010 Retail Sale of Building Materials
- 061. F213010 Retail Sale of Electrical Appliances
- 062. F213030 Retail Sale of Computers and Clerical Machinery Equipment
- 063. F213040 Retail Sale of Precision Instruments
- 064. F213060 Retail Sale of Telecommunication Apparatus
- 065. F213080 Retail Sale of Other Machinery and Equipment
- 066. F213100 Retail Sale of Pollution Controlling Equipment
- 067. F213110 Retail Sale of Batteries
- 068. F213990 Retail Sale of Other Machinery and Tools
- 069. F214080 Retail Sale of Track Vehicle and Component Parts Thereof
- 070. F218010 Retail Sale of Computer Software
- 071. F219010 Retail Sale of Electronic Materials
- 072. F301010 Department Stores
- 073. F399990 Retail sale of Other Integrated
- 074. F401010 International Trade
- 075. F401021 Restrained Telecom Radio Frequency Equipment and Materials
Import
- 076. G202010 Parking area Operators
- 077. G801010 Warehousing
- 078. H701010 Housing and Building Development and Rental
- 079. H701020 Industrial Factory Development and Rental
- 080. H701040 Specific Area Development
- 081. H701050 Investment, Development and Construction in Public Construction
- 082. H701060 New Towns, New Community Development
- 083. H703090 Real Estate Business
- 084. H703100 Real Estate Leasing
- 085. H703110 Senior Citizen Residence
- 086. I301010 Information Software Services
- 087. I301020 Data Processing Services
- 088. I301030 Electronic Information Supply Services

- 089. I501010 Product Designing
- 090. E606010 Power Consuming Equipment Inspecting and Maintenance
- 091. IG01010 Biotechnology Services
- 092. IG02010 Research and Development Service
- 093. IG03010 Energy Technical Services
- 094. J101060 Wastewater (Sewage) Treatment
- 095. JA02010 Electric Appliance and Electronic Products Repair
- 096. JA02990 Other Repair
- 097. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- 098. F108031 Wholesale of Medical Devices
- 099. F208031 Retail Sale of Medical Apparatus
- 0100. A301030 Aquaculture
- 0101. E501011 Tap Water Pipelines Contractors
- 0102. E602011 Refrigeration and Air Conditioning Engineering
- 0103. E603040 Fire Fighting Equipment Construction

Article 2-1: The total amount of investments made by the Company may exceed 40% of its paid-up capital. The Company may, based on its business needs, provide guarantees externally to other companies in the industry.

Article 3: The Company's headquarters shall be located in New Taipei City, and branches may be established domestically or abroad subject to resolutions by the Board of Directors if necessary.

Article 4: (Deleted).

Chapter 2 Shares

Article 5: The total capital of the Company shall be NTD4,020,000,000, divided into 402,000,000 shares at NTD10 per share and issued in tranches subject to a resolution by the Board of Directors, as authorized. Of the said total capital, an amount of NTD20,000,000 shall be retained and divided into 2,000,000 shares at NTD10 per share for exercising stock options against stock option certificates, preferred stocks with stock options or corporate bonds with stock options.

Article 5-1: In accordance with Articles 56-1 and 76 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the Company may, subject to approval by at least two-thirds of the voting rights held by the shareholders attending a shareholders' meeting at which shareholders representing a majority of the total outstanding shares are present, issue employee stock option certificates at a price lower than the closing price on the issue date.

Article 5-2: In accordance with Articles 10-1 and 13 of the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies, the Company may, subject to approval by at least two-thirds of the voting rights held by the shareholders attending the most recent shareholders' meeting at which shareholders representing a majority of the total outstanding shares are present, transfer shares to employees at a price lower than the actual average price of their repurchase.

Article 6: (Deleted).

Article 7: The shares of the Company shall be registered. Their certificates shall bear the signatures or seals of the directors representing the Company and may only be issued after they have been legally certified. The Company may issue new shares with their certificates printed on a consolidated basis in relation to the total number of shares issued or without printing any such certificates, provided that such new shares are kept in custody by or registered with a securities depository body.

Article 8: There shall be no change to the name of any shareholder or transfer of any share within 60 days before a regular shareholders' meeting is convened or 30 days before

a special shareholders' meeting is convened, or within 5 days before the record date on which the Company has decided to distribute dividends and bonuses or other benefits.

Chapter 3 Shareholders' Meeting

- Article 9: The shareholders' meeting may be convened on a regular or special basis. A regular meeting shall be legally convened by the Board of Directors annually within six months after the end of each fiscal year. A special meeting may be legally convened whenever necessary. A 30-day prior notice of any annual regular shareholders' meeting or a 15-day prior notice of any special shareholders' meeting specifying the reasons for convening the meeting shall be given to all shareholders.
- Article 10: A shareholder may appoint a proxy to attend a shareholders' meeting by presenting a letter of attorney which indicates the scope of authorization. Any company whose shares are publicly listed shall be subject to the requirements of the competent authority of securities, if any.
- Article 11: A shareholder of the Company shall have one voting right for each share held, except for any share legally held by the Company itself, which shall have no voting rights.
- Article 12: Except as otherwise provided by the Company Act, any resolution of a shareholders' meeting shall be adopted by a majority of the voting rights held by the shareholders attending the meeting at which shareholders representing a majority of the total outstanding shares are present.
- Article 12-1: If the Company subsequently proposes the withdrawal of the public listing of its shares, such a proposal shall be approved by a resolution of the shareholders' meeting. This provision shall remain unchanged during the period in which the shares of the Company are publicly listed.

Chapter 4 Directors and Audit Committee

- Article 13: The Company shall have five to nine directors serving a three-year term, who shall be elected under a candidate nomination system by the shareholders' meeting from a list of candidates. The directors may be reelected for consecutive terms. The number of directors shall be determined by the Board of Directors.
- The Company shall establish an Audit Committee consisting of all the independent directors, one of whom shall be the convener, and at least one of whom shall possess accounting or financial expertise. The duties, organizational rules, performance of functions and other requirements of the Audit Committee shall be subject to the regulations of the competent authority.
- Article 13-1: Upon the expiration of the term of directors, if no new election has been held in time, their term shall be extended for performing their duties until newly elected directors take office. Notwithstanding the foregoing, the competent authority may, by its authority, order the Company to hold a new election within a limited period. If no new election has been held before the expiration of such a period, the directors shall be discharged upon the expiration thereof.
- Article 13-2: Where at least one-third of the seats of directors are vacant or where all the independent directors have been discharged, the Board of Directors shall convene a special shareholders' meeting within 60 days to hold a by-election. The term of each director elected as such shall be limited to the remaining term of his/her predecessor.
- Article 13-3: At least three of the directors of the Company shall be independent directors. The professional competence, shareholdings, restrictions on concurrent positions, methods of nomination and election and other requirements of the independent directors shall be subject to Article 192-1 of the Company Act and the applicable regulations of the competent authority of securities.
- Article 14: The Board of Directors shall consist of the Company's directors. The Chairman shall

be elected by a majority of the directors attending a meeting of the Board of Directors at which at least two-thirds of directors are present. The Chairman shall represent the Company externally.

Article 14-1: A recommended list of directors for the next term of office may be provided by any shareholder who has the right to do so to the Company as reference for the election of directors.

Article 15: Where the Chairman is on leave or unable to perform his/her duties for whatever reason, an acting Chairman shall be designated in accordance with Article 208 of the Company Act.

Article 15-1: Any director who is unable to attend a meeting of the Board of Directors may appoint any other director to act on his/her behalf by presenting a letter of attorney which indicates the scope of authorization regarding the reasons for convening the meeting.

Where any meeting of the Board of Directors is held by video conference, any director attending the meeting by video conference shall be deemed as having attended the meeting in person.

Article 15-1: The Chairman of the Board of Directors shall preside over a shareholders' meeting. If the Chairman is on leave or is absent for whatever reason, the Chairman shall appoint one of the directors to act on his/her behalf. Where the Chairman fails to make such appointment, the directors shall select one of them to act on behalf of the Chairman. If a shareholders' meeting is convened by any person other than the Board of Directors who has the right to do so, the meeting shall be presided over by that person. Where there are two or more such persons, they shall select one of them to preside over the meeting.

Article 16: The directors of the Company may have their traveling expenses reimbursed, and the directors actually conducting business shall be paid remuneration. The Board of Directors shall be authorized to determine the remuneration for the directors based on the extent of their participation in and contributions to the operations of the Company, taking into consideration the general standards of the industry.

The Company may take out liability insurance for its directors covering the liability they are legally required to bear in relation to the performance of their duties during their term of office.

Chapter 5 Managers

Article 17: The Company shall have a number of managers. Their appointment, discharge and remuneration shall be subject to Article 29 of the Company Act.

Chapter 6 Accounting

Article 18: At the end of each fiscal year of the Company, the Board of Directors shall prepare the following documents and submit them to a regular shareholders' meeting for ratification: (1) Business report; (2) Financial statements; and (3) Proposal for profit distribution or loss compensation.

Article 19: The distribution of the Company's profits or the compensation for its losses may be made after the end of each quarter. Any distribution of profits in cash shall be subject to a decision by the Board of Directors in accordance with Article 228-1 and Paragraph 5, Article 240 of the Company Act and be submitted in a report to the shareholders' meeting, whose ratification thereof is not required.

Article 20: 5%–15% of the Company's annual profits, if any, shall be appropriated as employee remuneration which may be distributed in shares or in cash as decided by the Board of Directors. Such employee remuneration may be distributed to the employees of affiliated companies who have met certain requirements. The Board of Directors may decide to appropriate 1%–3% of the amount of the said profits as directors'

remuneration. The proposals for distribution of the remuneration for employees and directors shall be submitted in a report to the shareholders' meeting. If the Company has accumulated losses, an equivalent amount from the profits shall be reserved as compensation for such losses before the remuneration for employees and directors is appropriated by the aforementioned percentages.

The profits under the preceding paragraph shall mean the net profits before tax of each fiscal year prior to deduction of the remuneration for employees and directors.

Article 20-1:

- I. The Company's profits, if any, in its annual final account shall be first used to pay taxes and make compensation for its accumulated losses, and then 10% of the said profits shall be set aside as legal reserves, unless the amount of such legal reserves has reached the paid-up capital of the Company. The remaining amount of the said profits shall be set aside or reversed as special reserves as required by law or the competent authority. Any balance thereof still available shall, together with the undistributed profits accumulated at year's beginning and the "adjusted amount of the annual undistributed profits," be submitted by the Board of Directors in the form of a proposal for distribution to the shareholders' meeting for ratification.
- II. Dividend policy:
 1. The Company's business is currently in the stage of operational growth, requiring profits to be retained as funding necessary for operational growth and investments. Therefore, the Company currently adopts a "balance as dividend" policy, giving consideration to the distribution of a balanced dividend equaling at least 50% of the annual net profits after tax. The Board of Directors may, however, submit a proposal for distribution to the shareholders' meeting for decision after taking into account the actual funding situation of the Company.
 2. Profits may be distributed in the form of a combination of cash and stock dividends, provided that cash dividend is at least 20% of the total dividend. The shareholders' meeting may, however, make adjustment thereto based on future funding plans.

Chapter 7 Supplementary Provisions

Article 21: Matters not provided in this Articles of Incorporation shall be subject to the Company Act and other applicable laws.

Article 22: This Articles of Incorporation was established on June 21, 1976.

1st amendment on November 3, 1977.

2nd amendment on April 6, 1982.

3rd amendment on February 26, 1987.

4th amendment on November 8, 1988.

5th amendment on December 22, 1988.

6th amendment on February 22, 1989.

7th amendment on December 18, 1989.

8th amendment on June 11, 1990.

9th amendment on February 14, 1994.

10th amendment on August 15, 1995.

11th amendment on July 10, 1996.

12th amendment on July 28, 1997.

13th amendment on August 22, 1997.

14th amendment on November 13, 1997.

15th amendment on June 25, 1998.

16th amendment on December 31, 1998.

17th amendment on April 30, 1999.

18th amendment on June 9, 2000.
19th amendment on April 18, 2001.
20th amendment on July 25, 2001.
21st amendment on June 25, 2002.
22nd amendment on April 15, 2003.
23rd amendment on April 15, 2003.
24th amendment on June 10, 2004.
25th amendment on May 5, 2006.
26th amendment on June 13, 2007.
27th amendment on May 27, 2008.
28th amendment on April 22, 2009.
29th amendment on October 14, 2009.
30th amendment on June 27, 2012.
31st amendment on June 19, 2013.
32nd amendment on June 25, 2015.
33rd amendment on June 30, 2016.
34th amendment on June 23, 2020.

Appendix 4

The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate

Item	Year	2021 (Estimated)	
Initial paid-up capital (1,000s of NTD)		2,490,111	
Annual allotments and dividends	Cash dividends per share (NTD)	1.0	
	Stock dividends distributed per share from capital increase by profit (NTD)	0	
	Allotment per 1,000 shares from capital increase by capital reserve	0	
Change in operating performance	Operating profit (1,000s of NTD)	Not applicable	
	Percentage of increase (decrease) in operating profit from the same period of the previous year	Not applicable	
	Net income after tax (1,000s of NTD)	Not applicable	
	Percentage of increase (decrease) in net income after tax from the same period of the previous year	Not applicable	
	EPS (NTD)	Not applicable	
	Percentage of increase (decrease) in EPS from the same period of the previous year	Not applicable	
	Annual average ROI (annual average PE ratio)	Not applicable	
Pro forma EPS and PE	If all dividends from capital increase by profit are distributed in cash	Pro forma EPS	Not applicable
		Pro forma annual average ROI	Not applicable
	If no capital increase is by capital reserve	Pro forma EPS	Not applicable
		Pro forma annual average ROI	Not applicable
	If no capital increase is by capital reserve and all dividends from capital increase by profit are distributed in cash	Pro forma EPS	Not applicable
		Pro forma annual average ROI	Not applicable

Chairman:

Manager:

Accounting Manager:

Other Information

The following is information regarding shareholder proposals to the annual shareholders' meeting:

- Description:
1. According to Article 172-1 of the Company Act, any shareholder holding 1% or more of the total outstanding shares may submit to the Company a proposal for any regular shareholders' meeting, provided that such a proposal is limited to one item and a maximum of 300 words.
 2. The Company made an announcement on the Market Observation Post System, as required by law, that it would accept shareholder proposals for the annual shareholders' meeting this year during the period from April 16 to April 27, 2021.
 3. The Company did not receive any shareholder proposal.