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股|東|常|會|議|事|手|冊  
Annual Meeting of Shareholders

SIRUBA

KAULIN MFG. CO., LTD.

2024 Annual General Meeting Handbook



Method for meeting: Physical shareholders' meeting  
Time: 9:00 am on June 21, 2024  
Venue: Area B, No. 108, Sec. 1, Dunhua S. Rd, Taipei City  
(International Convention Center)

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**One. Meeting Procedures for the 2024 Annual General Meeting of KAULIN MFG CO, LTD.**

- I. Calling the meeting to order**
- II. Chair's opening remarks**
- III. Report matters**
- IV. Ratifications**
- V. Extraordinary Motion**
- VI. Adjournment**

## **Two. Agenda for the 2024 Annual General Meeting of KAULIN MFG CO, LTD.**

Time: 9:00 am (Friday), June 21, 2024

Venue: Area B, No. 108, Sec. 1, Dunhua S. Rd, Taipei City (International Convention Center)

I. Calling the meeting to order

II. Chair's opening remarks

III. Report matters:

(I) 2023 Business Report.

(II) 2023 Audit Committee's Review Report.

(III) Report on 2023 distribution of remuneration to employees and directors.

IV. Ratifications:

(I) Ratification for the Company's 2023 business report and financial statements.

(II) Ratification for motion for the Company's 2023 distribution of earnings.

V. Extraordinary Motion.

VI. Adjournment.

**Report matters****I. 2023 business report.**

Description: For the Company's 2023 business report, please refer to pages 6-7 of this handbook (Attachment I).

**II. 2023 Audit Committee's Review Report.**

Description: For the Audit Committee's Review Report on the 2023 Financial Statements, please refer to page 8 of this handbook (Attachment II).

**III. Report on 2023 distribution of remuneration to employees and directors.**

Description: 1. Handled in accordance with Article 23 of the Company's "Articles of Incorporation".

2. The Remuneration Committee of the Company convened on March 14, 2024. The Remuneration Committee approved that NTD 1,915,519 should be set aside as remuneration to employees for 2023 based on 8% of the profit before tax and NTD 718,320 to be set aside as remuneration to directors for 2023 based on 3% of the profit before tax, all distributed in cash.

## **Ratifications:**

### **Motion 1:**

Proposed by the Board of Directors

Cause of motion: Ratification for the Company's 2023 business report and financial statements.

Description: For the 2023 parent company-only financial statements and the consolidated financial statements, please refer to pages 9-23 (Attachment III) of this handbook. The 2023 parent company-only financial statements and the consolidated financial statements have been audited by CPAs Hsu Yu-Feng and Kou Hui-Chih of KPMG Taiwan. For the business report, approved by the Company's Board of Directors, please refer to pages 6-7 (Attachment I) of this handbook. The above were submitted to the Audit Committee, with an audit report issued, please refer to page 8 (Attachment II) of this handbook.

Resolution:

### **Motion 2:**

Proposed by the Board of Directors

Cause of motion: Ratification for motion for the Company's 2023 distribution of earnings.

Descriptions: 1. The motion for the Company's 2023 distribution of earnings has been resolved by the Board of Directors to appropriate NTD 36,421,616 from the earnings available for distribution as cash dividends to shareholders.

2. Cash dividends at NTD 0.20 will be distributed per share based on the proportion of shareholding recorded in the shareholder ledger on the dividend record date. The Board of Directors is authorized to set the dividend record date after the resolution of the AGM. If there is a change in the dividend payout ratio due to a change in the total number of outstanding shares, the shareholders' meeting shall authorize the Board of Directors to adjust and handle the related matters.

3. The Company's 2023 Earnings Distribution Table is as follows, submitted for ratification.

Resolution:

KAULIN MFG CO, LTD.

2023 Earnings Distribution Table

Unit: NTD

Undistributed earnings at the beginning of the period		\$ 831,613,562
Plus (minus):		
The remeasurement of the defined benefit plan is recognized in retained earnings	1,590,710	
Net profit after tax for the period	14,024,972	
Net amount after tax reclassified from other comprehensive income or other equity items	(37,608,655)	(21,992,973)
Distributable earnings		809,620,589
Plus (minus):		
Appropriation to legal reserves (10%)	0	
Reversal of special reserve as required by law	12,694,100	12,694,100
Distributable earnings for the period		822,314,689
Item of distribution		
Shareholder dividends (cash dividend of NTD 0.20)	(36,421,616)	(36,421,616)
Undistributed earnings at the end of the period		\$ 785,893,073

- Notes:
1. The amount of earnings distribution in 2023 is prioritized.
  2. The cash dividends for this period is calculated up to the nearest integer, with amounts less than NTD 1 disregarded. The total sum of fractions less than NTD 1 is adjusted from the largest to the smallest decimal digit and from the front to the back of the account numbers until matches the total amount of cash dividend distribution.

Chairman: Lin Chen Ya-Tzu

Manager: Lin Sheng-Chih

Head of Accounting: Lin Tseng-Hsin

**Extraordinary Motion**

**Adjournment**

### Three. Attachments

#### Attachment I. 2023 Business Report and 2024 Business Plan

##### I. 2023 Business Report

###### (I) Business plan implementation results

The Company's operating revenue in 2023 was NTD 1,048,130,000, and the net profit after tax was NTD 14,030,000, with a net profit after tax of 1.34%.

###### (II) Analysis of financial income, expenditures, and profitability

Unit: In thousands of NTD			
Item/Year		2023	2022
Financial income and expenditures	Revenue from sales	1,048,128	2,085,979
	Gross profit from sales	132,321	227,450
	Interest income	21,460	10,325
	Interest expenses	1,723	865
	Net profit after tax	14,025	186,461
Profitability	Return on assets (%)	0.35	4.00
	Return on shareholders' equity (%)	0.38	5.05
	As a percentage of paid-up capital (%)	Operating profit (loss)	1.18
		Pre-tax profit (loss)	12.47
	Net profit (loss) margin (%)		8.94
	Earnings per share (NTD)		1.02

(III) Budget implementation: The Company did not disclose a financial forecast for 2023.

###### (IV) Research and development (R&D) status

Major R&D focus:

1. Integration and innovation of sewing equipment and semi-automatic labor-saving devices
2. Independent development of sewing machine electronically controlled Servo/stepping motor drive system
3. Development of new material applications to improve sewing machine performance and durability
4. Optimization of environmentally friendly materials and process design
5. In-depth integration of sewing technology and industry-academia cooperation
6. Deepen technical cooperation and information sharing in the industry

##### II. 2024 business plan:

###### (I) Operational guidelines and important production and marketing policies:

1. Cultivate key markets in the Asia Pacific region
2. R&D towards high value-added models
3. Focus on the main business and commit to the development of energy-saving and consumption-reducing products
4. Commit to building brand marketing to enhance brand value
5. Strengthen core competitiveness and implement total quality control

###### (II) Estimated sales volume and basis thereof:

In 2023, the global economy faced the impact of political and economic factors such as the Russian-Ukrainian and Israel-Palestine wars, rising interest rates, and inflation. The apparel market did not perform as well as expected, and the Company's operating activities were also affected by customer destocking, showing a recession. The global economy is expected to improve in 2024, the inventory adjustment is expected to come to an end, and the demand for sewing equipment is expected to rebound. The Company will focus on improving R&D, strengthening marketing, improving quality, increasing income, and reducing expenditures, as well as other countermeasures, in order to strive for growth in consolidated revenue and operating profit throughout the year.

###### (III) Business goals:

1. Increase the global market share of the Siruba brand



2. Elevate the proportion of new products and energy-saving products
3. Enhance the quality and efficiency of the overall service
4. Actively develop key markets such as India, ASEAN, and Central and South America
5. Develop new markets and channels, such as Eastern Europe, Central Asia, and Africa

III. Future development strategies of the Company:

- (I) Make good use of the international division of labor model.
- (II) Continue to commit to quality optimization.
- (III) Create brand added value.
- (IV) Pursue stable profitability.
- (V) Promote ESG sustainability.

IV. Impacts from the external competition, the legal environment, and the overall business environment:

In 2023, the global economy faced the impact of political and economic factors such as the Russian-Ukrainian and Israel-Palestine wars, rising interest rates, and inflation. The apparel market did not perform as well as expected, and various sewing equipment brands were seriously affected, resulting in a general decline in revenue and profit. The global economy is expected to improve in 2024, the inventory adjustment is expected to come to an end, and the demand for sewing equipment is expected to rebound. However, in the face of the severe and changeable external environment and various unexpected risks that cannot be predicted, the Company must pay close attention to the changes in the situation, conduct risk analysis in advance, and strive to improve R&D, strengthen marketing, improve quality, and increase income and reduce expenditures, and other countermeasures. We will continue to seek progress while maintaining stability, and actively capitalize on opportunities presented by market recovery to ensure growth and long-term growth.

**KAULIN MFG CO, LTD.**

**Chairman: Lin Chen Ya-Tzu**

## **Attachment II. Audit Committee's Review Report**

### **KAULIN MFG CO, LTD. Audit Committee's Review Report**

The 2023 annual financial statements (including consolidated financial statements) have been prepared by the Board of Directors of the Company and audited by CPAs Hsu Yu-Feng and Kou Hui-Chih of KPMG Taiwan. The business report and earnings distribution table have been approved by the Audit Committee and were considered to be in compliance with the Company Act and other relevant laws and regulations. Therefore, they were submitted for review in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

KAULIN MFG CO, LTD.  
Audit Committee Convener: Lin Sheng-Sheng

March 14, 2024

## **Attachment III. 2023 Independent Auditors' Report and Financial Statements**

### **Independent Auditor's Report**

To the Board of Directors of KAULIN MFG CO, LTD.:

#### **Audit Opinion**

We have audited the Balance Sheet of KAULIN MFG CO, LTD. as of December 31, 2023 and 2022, the Statement of Comprehensive Income as of January 1 to December 31, 2023 and 2022 as well as the Statement of Changes in Equity, Statement of Cash Flows and the Notes to Parent Company Only Financial Statement (including important accounting policies summary).

In our opinions, the compilation of the above parent company only financial statements present fairly, in all material respects, of the financial status of December 31, 2023 and 2022 in KAULIN MFG CO, LTD. and the financial performance and consolidated cash flow of January 1 to December 31, 2023 and 2022 prepared according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis of the Audit Opinions**

The audit was conducted by us in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our responsibilities under these standards will be further explained in the responsibility paragraph of the accountant's audit on the parent company only financial statements. The personnel regulated by independence at the accounting firm that our accountants work with have been managed according to the code of professional ethics to maintain independence from KAULIN MFG CO, LTD. as well as perform other responsibilities addressed on the regulation. Based on the audit results of us, we believe we have obtained sufficient and appropriate auditing evidence as the basis to express our audit opinions.

#### **Key Audit Matters**

Key audit matters refer to the most important matters on the audits to KAULIN MFG CO, LTD.'s parent company only financial statements of fiscal year 2023 based on the professional judgment of our accountants. The matters have been responded on the whole audited parent company only financial statements and during the process of the expression of the audit opinions. There, our accountants will not express opinions separately towards the matters. Based on the judgment of the accountants, the following key audit matters that should be communicated on the audit report are as follows:

##### **1. Inventory Impairment**

For the accounting policy related to inventory impairment, please refer to Note 4(7) to the parent company only financial statements; for uncertainty about accounting estimates and assumptions related to inventory impairment, please refer to Note 5 to the parent company only financial statements; for related disclosures about inventory, please refer to Note 6(6) to the parent company only financial statements.

KAULIN MFG CO, LTD., being in a highly mature industry with intense competition, has the value of its inventory affected by the market, and the valuation of the inventory is carried out based on policies and accounting estimates set by the management. Given that the balance of inventory is significant to the parent company only financial statements and it involves accounting estimates, the auditor considers the valuation of inventory as one of the matters requiring high attention in the audit of the parent company only financial statements.

Corresponding audit procedure:

The main audit procedures for the provision for inventory valuation impairment by the auditor include evaluating the reasonableness of the provision for inventory valuation impairment policy set by KAULIN MFG CO, LTD. and whether it has been implemented according to relevant bulletin requirements. The auditor reviewed the inventory aging report, analyzed the changes in inventory aging, examined the sales status of the inventory and evaluated the net realizable value basis used to verify the reasonableness of the provision for inventory valuation impairment estimate, and assessed whether management has adequately disclosed relevant items about the provision for inventory valuation impairment.

#### **Responsibility from Management and Governing Unit towards the Parent Company Only Financial Statements**

Management level's responsibility is to prepare the parent company only financial statements present fairly according to Regulations Governing the Preparation of Financial Reports by Securities Issuers and to maintain necessary internal control related to the preparation of the parent company only financial statements in order to ensure there is no major untrue expression on the financial statements due to fraud or error.

When preparing the parent company only financial statements, the responsibility of management level also includes evaluating KAULIN MFG CO, LTD.'s capability of continuous operation, disclosure of relevant matters and the application of continuous operation accounting model unless the management level intends to liquidate KAULIN MFG CO, LTD. or suspend its business operation or there is no alternative practical and feasible solution other than

liquidation or business suspension.

The governing unit (including the audit committee) at KAULIN MFG CO, LTD. is responsible for supervising the process of financial reports.

### **Responsibility of Accountants' Audit on the Parent Company Only Financial Statements**

The purpose of the parent company only financial statements audited by our accountants is to obtain reasonable assurance on whether the significant untrue expression exists on the whole parent company only financial statements due to fraud or error as well as issue the audit report. The reasonable assurance is the high certainty; however, it will not be able to guarantee that the significant untrue expression will definitely be able to be detected by generally accepted auditing standards, and the untrue expression might be caused from fraud or error. and the untrue expression might be caused from fraud or error. It is regarded as with significance if the individual amount or the aggregation number of the untrue expression can reasonably predict that it will affect the economic decisions made by the users of the parent company only financial statements.

When we conduct the audit according to generally accepted auditing standards, we use professional judgment and maintain our professional suspicion. We also executed the following tasks:

1. Identifying and evaluating the risk of major untrue expression on the parent company only financial statements due to fraud or error; designing and implementing proper responding strategies towards the risk evaluated; and obtaining sufficient and appropriate audit evidence as the basis of audit opinions. Due to fraud might be involving with collusion, counterfeiting, malicious omission untrue declaration, or going out of the internal control, the risk of not detecting the major untrue expression due to fraud will be higher than that due to error.
2. Obtaining necessary understanding of internal control related to audit in order to design proper audit procedure under the situation of the case. However, its purpose is not to express opinion toward the effectiveness of the internal control in KAULIN MFG CO, LTD.
3. Evaluating the adequacy of the accounting policies used by the management level and the rationality of the accounting evaluation and relevant disclosure concluded.
4. Based on the audit evidence obtained, conclusion towards the appropriateness of continuous operation accounting basis that the management level adopts and the existence of major uncertainty on events or situations with major concerns affecting KAULIN MFG CO, LTD.'s capability in continuous operation are made. If we believe major uncertainty existed on the event or situation, we must remind the users of parent company only financial statements on the audit report to pay attention on the relevant disclosure or modify audit opinion when the disclosure is not appropriate. The conclusion that we made is based on the audit evidence obtained up to the audit report day, but future events or situations might cause KAULIN MFG CO, LTD. not capable in continuous operation.
5. Evaluating the overall expression, structure and content of the parent company only financial statements (including relevant notes) as well as whether the parent company only financial statements present fairly, in all material respects, relevant transaction and events.
6. Obtaining sufficient and appropriated audit evidence of the financial information from the investee companies accounted for using equity method as well as express opinions towards the parent company only financial statements. We are in charge of the directing, supervision and execution on the audit cases as well as concluding audit opinions towards the parent company only financial statements of KAULIN MFG CO, LTD.

The communication between us and the governing unit includes the audit scope and time planned and major audit findings (including the significant defects on the internal control identified during the auditing process).

We have also provided information to the governing unit that the personnel of the firm—who are subject to independence requirements have complied with the statement of independence in the CPA code of professional ethics and communicated to the governing unit all relationships and other matters (including relevant safeguards) that may be considered to affect the independence of CPAs.

We determined the key audit matters that we would like to execute on KAULIN MFG CO, LTD.'s parent company only financial statements for fiscal year 2023 from the communication with the governing unit. We clearly stated the related matters on the audit report unless it is the specific matter that is not allowed to be disclosed to the public according to laws, or under a very rare situation that we decided not to communicate specific matters on the audit report because we can reasonably anticipate the negative influence generated by the communication will be greater than the public interests increased.

KPMG Taiwan

CPAs:

Competent Authority of  
Securities Approval  
Certificate No.

TAI-TSAI-CHENG (VI) No.  
: 0930105495  
TAI-TSAI-CHENG (VI) No.  
0930106739

March 14, 2024

Unit: NT\$ thousands

		2023.12.31		2022.12.31				2023.12.31		2022.12.31	
	Assets	Amount	%	Amount	%		Liabilities and Equity	Amount	%	Amount	%
	<b>Current assets:</b>						<b>Current liabilities:</b>				
1100	Cash and cash equivalents (Note 6(1))	\$ 521,878	14	785,053	17	2100	Short-term loans (Note 6(12))	\$ 100,000	2	100,000	2
1150	Notes receivable (Note 6(4) and (19))	7,762	-	3,063	-	2170	Accounts payable	13,839	-	16,396	-
1170	Accounts receivable (Note 6(4) and (19))	415,390	10	534,932	12	2180	Accounts payable— Related parties (Note 7)	153,918	4	356,940	8
1181	Accounts receivable — related parties (Note 7)	97,230	2	244,934	5	2200	Other payables (Note 6(14))	58,029	1	81,304	2
1200	Other payables	2,623	-	2,724	-	2230	Income tax liabilities for the period (Note 6(16))	446	-	57,056	1
1210	Other receivables - Related parties (Note 7)	17,157	-	-	-	2280	Lease liabilities - current (Note 6(13))	738	-	726	-
130X	Inventories (Note 6(6))	287,191	7	268,103	6	2300	Other current liabilities (Note 6(14))	16,241	-	21,561	1
1419	Advance payment	10,539	-	8,119	-		<b>Total current liabilities</b>	343,211	7	633,983	14
1470	Other current assets (Note 6(11))	235	-	380	-		<b>Non-current liabilities:</b>				
	<b>Total current assets</b>	1,360,005	33	1,847,308	40	2581	Lease liabilities - non-current (Note 6(13))	-	-	738	-
	<b>Non-current assets:</b>					2570	Deferred income tax liabilities (Note 6(16))	196,182	5	200,499	4
1517	Financial assets measured at FVTOCI - non-current (Note 6(3))	-	-	24,147	-	2640	Net defined benefit liability - non-current (Note 6(15))	14,847	-	20,780	1
1550	Investment accounted for using the equity method (Note 6(5))	1,889,794	46	1,827,615	40		<b>Total non-current liabilities</b>	211,029	5	222,017	5
1600	Property, plant and equipment (Note 6(7))	667,449	16	677,961	15		<b>Total liabilities</b>	554,240	12	856,000	19
1755	Right-of-use assets (Note 6(8))	715	-	1,429	-	3110	Common shares (Note 6(17))	1,836,081	44	1,836,081	40
1760	Investment property (Note 6(19))	178,782	4	178,809	4	3200	Capital reserves	199,653	5	199,599	4
1821	Other intangible assets (Note 6(10))	5,364	-	4,642	-		Retained earnings:				
1840	Deferred tax assets (Note 6(16))	33,687	1	36,032	1	3310	Legal reserve	753,361	18	734,810	16
1990	Other non-current assets (Note 6(11))	5,795	-	339	-	3320	Special reserve	165,308	4	202,052	4
	<b>Total non-current assets</b>	2,781,586	67	2,750,974	60	3350	Unappropriated retained earnings	809,619	20	959,107	21
								1,728,288	42	1,895,969	41
						3400	Other equity	(152,612)	(3)	(165,308)	(4)
						3500	Treasury shares	(24,059)	-	(24,059)	-
							<b>Total liabilities</b>	3,587,351	88	3,742,282	81
	<b>Total assets</b>	<b>\$ 4,141,591</b>	<b>100</b>	<b>4,598,282</b>	<b>100</b>		<b>Total liabilities and equity</b>	<b>\$ 4,141,591</b>	<b>100</b>	<b>4,598,282</b>	<b>100</b>

**(Please see notes to the parent company only financial statement)**

**Chairman: Lin Chen Ya-Tzu**

**Manager: Lin Sheng-Chih**

**Accounting Manager: Lin Tseng-Hsin**

**KAULIN MFG CO, LTD.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**Dec. 31, 2023 and Dec. 31, 2022**

Unit: NT\$ thousands

		<b>2023</b>		<b>2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue (Note 6(19) and 7)</b>	\$ 1,048,128	100	2,085,979	100
5000	<b>Operating cost (Note 6(6) and 7)</b>	915,807	87	1,858,529	89
5900	<b>Gross profit</b>	132,321	13	227,450	11
5910	Less: Unrealized sales profit/loss	15,590	1	22,128	1
5920	Add: Realized sales profit/loss	22,128	1	12,349	-
	<b>Gross profit</b>	138,859	13	217,671	10
	<b>Operating expense (Note 6(4), (7), (8), (9), (10) and 7):</b>				
6100	Promotion expense	61,347	6	60,392	3
6200	Administration expense	76,672	6	96,856	4
6300	R&D expenses	39,748	4	45,465	2
6450	Expected credit impairment loss (recovery gain)	2,612	-	(6,798)	-
	<b>Total operating expenses</b>	180,379	16	195,915	9
6900	<b>Net operating profit (loss)</b>	(41,520)	(3)	21,756	1
	<b>Non-operating revenue/expense (Note 6(21)):</b>				
7100	Interest income	21,460	2	10,325	-
7010	Other income	15,093	1	13,516	1
7020	Other gains and losses	5,967	1	118,263	6
7050	Financial costs	(1,723)	-	(865)	-
7070	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	22,033	2	65,918	3
	<b>Total non-operating revenue/expense</b>	62,830	6	207,157	10
7900	Net profit before tax	21,310	3	228,913	11
7950	<b>Less: Income tax expense (Note 6(16))</b>	7,285	1	42,452	2
8200	<b>Net income</b>	14,025	2	186,461	9
	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss:</b>				
8311	Remeasurements of defined benefit plan	1,988	-	(1,178)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at FVTOCI	(760)	-	(10,197)	-
8349	Less: Income tax related to the items which were not reclassified	246	-	(2,275)	-
	<b>Total items not reclassified to profit or loss</b>	982	-	(9,100)	-
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss:</b>				
8361	Exchange difference on translation of the financial statements of foreign operations	(30,382)	(3)	56,128	3
8399	Less: Income tax related to items that might be reclassified	(6,077)	(1)	11,226	1
	<b>Total items that might be reclassified to profit or loss later</b>	(24,305)	(2)	44,902	2
8300	<b>Total other comprehensive income in the term</b>	(23,323)	(2)	35,802	2
	<b>Total comprehensive income in the term</b>	<b>\$ (9,298)</b>	<b>-</b>	<b>222,263</b>	<b>11</b>
	<b>Earnings per share (NTD)(Note 6(18))</b>				
9750	<b>Basic earnings per share (Unit: NTD)</b>	<b>\$ 0.08</b>		<b>1.02</b>	
9850	<b>Diluted earnings per share (Unit: NTD)</b>	<b>\$ 0.08</b>		<b>1.02</b>	

(Please see notes to the parent company only financial statement)

Chairman: Lin Chen Ya-Tzu

Manager: Lin Sheng-Chih

Accounting Manager: Lin Tseng-Hsin

**KAULIN MFG CO, LTD.**  
**STATEMENT OF CHANGES IN EQUITY**  
**Dec. 31, 2023 and Dec. 31, 2022**  
**Unit: NT\$ thousands**

	Share capital		Retained earnings				Exchange	Other equity items			
	Common shares	Capital reserves	Legal reserve	Special reserve	Unappropriated retained earnings	Total	difference on translation of the financial statements of foreign operations	Unrealized gains or losses of the financial assets measured at FVTOCI	Total	Treasury shares	Total equity
<b>Balance as of January 1, 2022</b>	\$ 1,836,081	199,595	717,716	199,294	920,916	1,837,926	(173,209)	(28,843)	(202,052)	(24,059)	3,647,491
Net income	-	-	-	-	186,461	186,461	-	-	-	-	186,461
Total other comprehensive income in the term	-	-	-	-	(942)	(942)	44,902	(8,158)	36,744	-	35,802
Total comprehensive income in the term	-	-	-	-	185,519	185,519	44,902	(8,158)	36,744	-	222,263
Appropriation and distribution of earnings:											
Appropriation to legal reserve	-	-	17,094	-	(17,094)	-	-	-	-	-	-
Appropriation to special reserve	-	-	-	2,758	(2,758)	-	-	-	-	-	-
Cash dividend for common stock	-	-	-	-	(127,476)	(127,476)	-	-	-	-	(127,476)
Other changes in additional paid-in capital	-	4	-	-	-	-	-	-	-	-	4
Balance as of Dec. 31, 2022	1,836,081	199,599	734,810	202,052	959,107	1,895,969	(128,307)	(37,001)	(165,308)	(24,059)	3,742,282
Net income (loss)	-	-	-	-	14,025	14,025	-	-	-	-	14,025
Total other comprehensive income in the term	-	-	-	-	1,590	1,590	(24,305)	(608)	(24,913)	-	(23,323)
Total comprehensive income in the term	-	-	-	-	15,615	15,615	(24,305)	(608)	(24,913)	-	(9,298)
Appropriation and distribution of earnings:											
Appropriation to legal reserve	-	-	18,551	-	(18,551)	-	-	-	-	-	-
Appropriation to special reserve	-	-	-	(36,744)	36,744	-	-	-	-	-	-
Cash dividend for common stock	-	-	-	-	(145,687)	(145,687)	-	-	-	-	(145,687)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(37,609)	(37,609)	-	37,609	37,609	-	-
Other changes in additional paid-in capital	-	54	-	-	-	-	-	-	-	-	54
<b>Balance as of December 31, 2023</b>	<b>\$ 1,836,081</b>	<b>199,653</b>	<b>753,361</b>	<b>165,308</b>	<b>809,619</b>	<b>1,728,288</b>	<b>(152,612)</b>	<b>-</b>	<b>(152,612)</b>	<b>(24,059)</b>	<b>3,587,351</b>

(Please see notes to the parent company-only financial statement)

Chairman: Lin Chen Ya-Tzu

Manager: Lin Sheng-Chih

Accounting Manager: Lin Tseng-Hsin

**KAULIN MFG CO, LTD.**  
**STATEMENT OF CASH FLOWS**  
**Dec. 31, 2023 and Dec. 31, 2022**  
**Unit: NT\$ thousands**

	<b>2023</b>	<b>2022</b>
<b>Cash flow from operating activities:</b>		
<b>Net profit before tax</b>	\$ 21,310	228,913
<b>Adjustment Items:</b>		
Adjustments to reconcile profit (loss)		
Depreciation expense	17,019	16,643
Amortization expense	4,518	5,436
Expected credit impairment loss (recovery gain)	2,612	(6,798)
Interest expense	1,723	865
Interest income	(21,460)	(10,325)
Dividend income	(771)	(991)
Share of profits of subsidiaries, associates, and joint ventures accounted for using the equity method	(22,033)	(65,918)
Loss on disposal and write-off of property, plant, and equipment	-	26
Loss on inventory valuation and write-off	22,172	8,477
Unrealized sales profits	15,590	22,128
Realized sales profits	(22,128)	(12,349)
Unrealized foreign currency exchange losses (gains)	3,166	(19,142)
Total income and expense items	408	(61,948)
<b>Changes in assets/liabilities related to operating activities:</b>		
Decrease (increase) of notes receivable	(4,699)	11,091
Decrease in accounts receivable	107,300	4,043
Decrease in accounts receivable - related parties	130,476	107,763
Decrease (increase) of other receivables	(23)	1,002
Increase in inventories	(41,260)	(143,193)
Increase in prepayments	(2,420)	(1,938)
Decrease (increase) of other current assets	145	(31)
Increase (decrease) of accounts payable	711	(54,601)
Decrease in accounts payable - related parties	(196,544)	(184,249)
Decrease in other payables	(23,218)	(212)
Decrease in other current liabilities	(5,320)	(6,834)
Decrease in net defined benefit liability	(3,945)	(6,495)
Total adjustment items	(38,389)	(335,602)
Cash outflow from operations	(17,079)	(106,689)
Interest received	21,584	9,238
Interest paid	(1,723)	(865)
Income taxes paid	(63,304)	(45,137)
<b>Net cash outflow from operating activities</b>	(60,522)	(143,453)
<b>Cash flow from investing activities:</b>		
Disposal of financial assets at fair value through other comprehensive income	23,387	-
Acquisition of investments under equity method	(63,990)	-
Cash dividends from long-term equity investments accounted for using the equity method	-	403,924
Acquisition of property, plant and equipment	(5,766)	(494)
Increase in refundable deposits	-	(28)
Decrease in refundable deposits	27	-
Acquisition of intangible assets	(5,240)	(6,320)
Increase in prepayments for business facilities	(5,483)	-
Dividends received	771	991
<b>Net cash (outflow) inflow from investing activities</b>	(56,294)	398,073
<b>Cash flow from financing activities:</b>		
Decrease in deposits received	-	(535)
Repayment of lease principal	(726)	(714)
Issuance of cash dividends	(145,687)	(127,476)
Other changes in additional paid-in capital	54	4
<b>Net cash outflow from financing activities</b>	(146,359)	(128,721)
Increase (decrease) in cash and cash equivalents in the current period	(263,175)	125,899
Beginning balance of cash and cash equivalents	785,053	659,154
Ending balance of cash and cash equivalents	<b>\$ 521,878</b>	<b>785,053</b>

(Please see notes to the parent company-only financial statement)

Chairman: Lin Chen Ya-Tzu

Manager: Lin Sheng-Chih

Accounting Manager: Lin Tseng-Hsin



## **Independent Auditor's Report**

To the Board of Directors of KAULIN MFG CO, LTD.:

### **Audit Opinion**

We have audited the Balance Sheet of KAULIN MFG CO, LTD. And its subsidiaries (KAULIN Group) as of December 31, 2023 and 2022, the Statement of Comprehensive Income as of January 1 to December 31, 2023 and 2022 as well as the Statement of Changes in Equity, Statement of Cash Flows and the Notes to Individual Financial Statement (including important accounting policies summary).

In our opinions, the compilation of the above individual financial statements present fairly, in all material respects, of the financial status of December 31, 2023 and 2022 of KAULIN MFG CO, LTD. and subsidiaries and the financial performance and consolidated cash flow of January 1 to December 31, 2023 and 2022 prepared according to Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs approved by the FSC.

### **Basis of the Audit Opinions**

The audit was conducted by us in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our responsibilities under these standards will be further explained in the responsibility paragraph of the accountant's audit on the consolidated financial statements. The personnel regulated by independence at the accounting firm that our accountants work with have been managed according to the code of professional ethics to maintain independence from KAULIN MFG CO, LTD. and subsidiaries as well as perform other responsibilities addressed on the regulation. Based on the audit results of us, we believe we have obtained sufficient and appropriate auditing evidence as the basis to express our audit opinions.

### **Key Audit Matters**

Key audit matters refer to the most important matters on the audits to KAULIN MFG CO, LTD. and subsidiaries' consolidated financial statements of fiscal year 2023 based on the professional judgment of our accountants. The matters have been responded on the whole audited consolidated financial statements and during the process of the expression of the audit opinions. There, our accountants will not express opinions separately towards the matters. Based on the judgment of the accountants, the following key audit matters that should be communicated on the audit report are as follows:

#### **1. Inventory Impairment**

For the accounting policy related to inventory impairment, please refer to Note 4(8) to the consolidated financial statements; for uncertainty about accounting estimates and assumptions related to inventory impairment, please refer to Note 5 to the consolidated financial statements; for related disclosures about inventory, please refer to Note 6(6) to the consolidated financial statements.

KAULIN GROUP, being in a highly mature industry with intense competition, has the value of its inventory affected by the market, and the valuation of the inventory is carried out based on policies and accounting estimates set by the management. Given that the balance of inventory is significant to the consolidated financial statements and it involves accounting estimates, the auditor considers the valuation of inventory as one of the matters requiring high attention in the audit of the consolidated financial statements.

Corresponding audit procedure:

The main audit procedures for the provision for inventory valuation impairment by the auditor include evaluating the reasonableness of the provision for inventory valuation impairment policy set by KAULIN GROUP and whether it has been implemented according to relevant bulletin requirements. The auditor reviewed the inventory aging report, analyzed the changes in inventory aging, examined the sales status of the inventory and evaluated the net realizable value basis used to verify the reasonableness of the provision for inventory valuation impairment estimate, and assessed whether management has adequately disclosed relevant items about the provision for inventory valuation impairment.

### **Other Matters**

KAULIN MFG CO, LTD. has prepared its parent company only financial statements for 2023 and 2022, which have been audited and unqualified audit reports have been issued by this auditor respectively. These are available for reference.

### **Responsibility from Management and Governing Unit towards the Consolidated Financial Statements**

Management level's responsibility is to prepare the consolidated financial statements present fairly according to Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs approved by the FSC and to maintain necessary internal control related to the preparation of the consolidated financial statements in order to ensure there is no major untrue expression on the financial statements due to fraud or error.

When preparing the consolidated financial statements, the responsibility of management level also includes evaluating KAULIN MFG CO, LTD. and subsidiaries' capability of continuous operation, disclosure of relevant matters and the application of continuous operation accounting model unless the management level intends to liquidate KAULIN MFG CO, LTD. and subsidiaries or suspend its business operation or there is no alternative practical and feasible solution other than liquidation or business suspension.

The governing unit (including the audit committee) at KAULIN MFG CO, LTD. and subsidiaries is responsible for supervising the process of financial reports.

## Responsibility of Accountants' Audit on the Consolidated Financial Statements

The purpose of the consolidated financial statements audited by our accountants is to obtain reasonable assurance on whether the significant untrue expression exists on the whole consolidated financial statements due to fraud or error as well as issue the audit report. The reasonable assurance is the high certainty; however, it will not be able to guarantee that the significant untrue expression will definitely be able to be detected by generally accepted auditing standards, and the untrue expression might be caused from fraud or error. It is regarded as with significance if the individual amount or the aggregation number of the untrue expression can reasonably predict that it will affect the economic decisions made by the users of the consolidated financial statements.

When we conduct the audit according to generally accepted auditing standards, we use professional judgment and maintain our professional suspicion. We also executed the following tasks:

1. Identifying and evaluating the risk of major untrue expression on the consolidated financial statements due to fraud or error; designing and implementing proper responding strategies towards the risk evaluated; and obtaining sufficient and appropriate audit evidence as the basis of audit opinions. Due to fraud might be involving with collusion, counterfeiting, malicious omission untrue declaration, or going out of the internal control, the risk of not detecting the major untrue expression due to fraud will be higher than that due to error.
2. Obtaining necessary understanding of internal control related to audit in order to design proper audit procedure under the situation of the case. However, its purpose is not to express opinion toward the effectiveness of the internal control in KAULIN MFG CO, LTD. and subsidiaries.
3. Evaluating the adequacy of the accounting policies used by the management level and the rationality of the accounting evaluation and relevant disclosure concluded.
4. Based on the audit evidence obtained, conclusion towards the appropriateness of continuous operation accounting basis that the management level adopts and the existence of major uncertainty on events or situations with major concerns affecting KAULIN MFG CO, LTD. and subsidiaries' capability in continuous operation are made. If we believe major uncertainty existed on the event or situation, we must remind the users of consolidated financial statements on the audit report to pay attention on the relevant disclosure or modify audit opinion when the disclosure is not appropriate. The conclusion that we made is based on the audit evidence obtained up to the audit report day, but future events or situations might cause KAULIN MFG CO, LTD. and subsidiaries not capable in continuous operation.
5. Evaluating the overall expression, structure and content of the consolidated financial statements (including relevant notes) as well as whether the consolidated financial statements present fairly, in all material respects, relevant transaction and events.
6. Sufficient and appropriate audit evidence has been obtained for the financial information of the entities within KAULIN GROUP to form an opinion on the consolidated financial statements. This auditor is responsible for the direction, supervision, and execution of the group audit engagement, as well as forming the audit opinion for the group.

The communication between us and the governing unit includes the audit scope and time planned and major audit findings (including the significant defects on the internal control identified during the auditing process).

We have also provided information to the governing unit that the personnel of the firm—under which our CPAs are working—who are subject to independence requirements have complied with the statement of independence in the CPA code of professional ethics and communicated to the governing unit all relationships and other matters (including relevant safeguards) that may be considered to affect the independence of CPAs.

We determined the key audit matters that we would like to execute on KAULIN MFG CO, LTD. and subsidiaries' consolidated financial statements for fiscal year 2023 from the communication with the governing unit. We clearly stated the related matters on the audit report unless it is the specific matter that is not allowed to be disclosed to the public according to laws, or under a very rare situation that we decided not to communicate specific matters on the audit report because we can reasonably anticipate the negative influence generated by the communication will be greater than the public interests increased.

KPMG Taiwan

CPAs:

Competent	TAI-TSAI-CHENG (VI) No.
Authority of	: 0930105495
Securities	TAI-TSAI-CHENG (VI) No.
Approval	0930106739
Certificate No.	
March 14, 2024	

**KAULIN MFG CO, LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**

**Dec. 31, 2023 and Dec. 31, 2022**

**Unit: NT\$ thousands**

		2023.12.31		2022.12.31				2023.12.31		2022.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets											
Current assets:											
1100	Cash and cash equivalents (Note 6(1))	\$	736,967	18	1,170,341	26	2100	Short-term loans (Note 6(13))	\$	100,000	2
1136	Financial assets measured at amortized cost - current (Note 6(4))		355,486	9	9,411	-	2130	Contract liabilities - current (Note 6(21))		15,475	-
1150	Notes receivable (Notes 6(5) and 6(21))		43,357	1	29,782	1	2170	Accounts payable		150,085	5
1170	Accounts receivable (Note 6(5) and 6(21))		560,555	13	745,570	16	2200	Other payables (Note 6(15))		100,970	2
130X	Inventories (Note 6(6))		990,238	24	1,257,923	27	2230	Current income tax liabilities		446	-
1419	Advance payment		31,339	1	36,091	1	2260	Liabilities directly related to non-current assets held for sale (Note 6(7))		422	-
1460	Non-current assets held for sale (Note 6(7))		216,210	5	-	-	2280	Lease liabilities - current (Note 6(14))		799	-
1470	Other current assets (Note 6(12))		8,242	-	5,237	-	2399	Other current liabilities — other		1,113	-
Total current assets			2,942,394	71	3,254,355	71	Total current liabilities			369,310	9
Non-current assets:											
1517	Financial assets measured at FVTOCI - non-current (Note 6(3))		-	-	24,147	1	2580	Lease liabilities - non-current (Note 6(14))		-	-
1600	Property, plant and equipment (Note 6(8))		873,891	21	974,119	21	2570	Deferred income tax liabilities (Note 6(18))		196,183	5
1755	Right-of-use assets (Note 6(9))		37,708	1	40,598	1	2640	Net defined benefit liability - non-current (Note 6(17))		14,847	-
1760	Investment property (Note 6(10))		195,205	5	197,881	4	Total non-current liabilities			211,030	5
1805	Goodwill (Note 6(11))		23,026	-	23,026	-	Total liabilities			580,340	14
1821	Other intangible assets (Note 6(11))		7,996	-	7,878	-	Equity attributable to the owners of the parent company (Note 6(19)):				
1840	Deferred tax assets (Note 6(18))		79,890	2	83,279	2	3110	Common shares		1,836,081	44
1990	Other non-current assets (Note 6(12))		7,581	-	4,923	-	3200	Capital reserves		199,653	5
Total non-current assets			1,225,297	29	1,355,851	29	Retained earnings:				
							3310	Legal reserve		753,361	18
							3320	Special reserve		165,308	4
							3350	Unappropriated retained earnings		809,619	19
										1,728,288	41
							3400	Other equity		(152,612)	(3)
							3500	Treasury shares		(24,059)	(1)
							Total liabilities			3,587,351	86
							Total liabilities and equity			\$ 4,167,691	100
Total assets		\$	4,167,691	100	4,610,206	100				4,610,206	100

(Please see notes to the consolidated financial statement)

Chairman: Lin Chen Ya-Tzu

Manager: Lin Sheng-Chih

Accounting Manager: Lin Tseng-Hsin

**KAULIN MFG CO, LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**Dec. 31, 2023 and Dec. 31, 2022**

Unit: NT\$ thousands

		<b>2023</b>		<b>2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue (Note 6(21))</b>	\$ 1,420,562	100	2,101,782	100
5000	<b>Operating cost (Note 6(6) and (17))</b>	1,217,317	86	1,696,072	81
	<b>Gross profit</b>	203,245	14	405,710	19
	<b>Operating expenses (Note 6(5), (8), (9), (10), (11), (14), (17) and 7):</b>				
6100	Promotion expense	100,493	7	107,482	4
6200	Administration expense	145,716	10	164,760	8
6300	R&D expenses	39,748	3	45,465	2
6450	Expected credit losses (reversal gain)	22,606	1	(6,575)	-
	<b>Total operating expenses</b>	308,563	21	311,132	14
6900	<b>Net operating profit (loss)</b>	(105,318)	(7)	94,578	5
	<b>Non-operating income and expenses (Note 6(23)) :</b>				
7100	Interest income	29,216	2	15,945	1
7010	Other income	33,170	2	34,960	2
7020	Other gains and losses (Note 6(2))	5,120	-	122,008	5
7050	Financial costs	(4,060)	-	(8,090)	(1)
	<b>Total non-operating revenue/expense</b>	63,446	4	164,823	7
7900	<b>Net profit (loss) before tax</b>	(41,872)	(3)	259,401	12
7950	<b>Less: Income tax expenses (Note 6(18))</b>	7,537	-	73,003	3
	<b>Net income (loss) of continuing operations</b>	(49,409)	(3)	186,398	9
	<b>Profit or loss from discontinued operations (Note 14) :</b>				
8100	Income after tax of the discontinued operation	63,434	4	63	-
	<b>Total profit (loss) from discontinued operations</b>	63,434	4	63	-
8200	<b>Net income</b>	14,025	1	186,461	9
	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss (Note 6(18))</b>				
8311	Remeasurements of defined benefit plan	1,988	-	(1,178)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at FVTOCI	(760)	-	(10,197)	-
8349	Less: Income tax related to the items which were not reclassified	246	-	(2,275)	-
	<b>Total items not reclassified to profit or loss</b>	982	-	(9,100)	-
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss (Note 6(18))</b>				
8361	Exchange difference on translation of the financial statements of foreign operations	(29,873)	(2)	39,781	2
8365	Equity directly related to the non-current assets (or disposal group) held for sale	(509)	-	16,347	1
8399	Less: Income tax related to items that might be reclassified	(6,077)	-	11,226	1
	<b>Total items that might be reclassified to profit or loss later</b>	(24,305)	(2)	44,902	2
8300	<b>Total other comprehensive income in the term</b>	(23,323)	(2)	35,802	2
8500	<b>Total comprehensive income in the term</b>	<b>\$ (9,298)</b>	<b>(1)</b>	<b>222,263</b>	<b>11</b>
	<b>Earnings per share (Note 6(20))</b>				
	<b>Earnings per share:</b>				
9750	Basic earnings per share (NTD)	<b>0.08</b>		<b>1.02</b>	
9850	Diluted earnings per share (NT\$)	<b>0.08</b>		<b>1.02</b>	
	<b>Continuing operations</b>				
9710	Basic earnings (losses) per share (NTD)	<b>(0.27)</b>		<b>1.02</b>	
9810	Diluted earnings (losses) per share (NTD)	<b>(0.27)</b>		<b>1.02</b>	

(Please see notes to the consolidated financial statement)

Chairman: Lin Chen Ya-Tzu

Manager: Lin Sheng-Chih

Accounting Manager: Lin Tseng-Hsin

**KAULIN MFG CO, LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**Dec. 31, 2023 and Dec. 31, 2022**

Unit: NT\$ thousands

	Retained earnings						Other equity items				
	Common shares	Capital reserves	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange difference on translation of the financial statements of foreign operations	Unrealized gains or losses of the financial assets measured at FVTOCI	Total	Treasury shares	Total equity
<b>Balance as of January 1, 2022</b>	\$ 1,836,081	199,595	717,716	199,294	920,916	1,837,926	(173,209)	(28,843)	(202,052)	(24,059)	3,647,491
Net income	-	-	-	-	186,461	186,461	-	-	-	-	186,461
Total other comprehensive income in the term	-	-	-	-	(942)	(942)	44,902	(8,158)	36,744	-	35,802
Total comprehensive income in the term	-	-	-	-	185,519	185,519	44,902	(8,158)	36,744	-	222,263
Appropriation and distribution of earnings:											
Appropriation to legal reserve	-	-	17,094	-	(17,094)	-	-	-	-	-	-
Appropriation to special reserve	-	-	-	2,758	(2,758)	-	-	-	-	-	-
Cash dividend for common stock	-	-	-	-	(127,476)	(127,476)	-	-	-	-	(127,476)
Other changes in additional paid-in capital	-	4	-	-	-	-	-	-	-	-	4
Balance as of Dec. 31, 2022	1,836,081	199,599	734,810	202,052	959,107	1,895,969	(128,307)	(37,001)	(165,308)	(24,059)	3,742,282
Net income	-	-	-	-	14,025	14,025	-	-	-	-	14,025
Total other comprehensive income in the term	-	-	-	-	1,590	1,590	(24,305)	(608)	(24,913)	-	(23,323)
Total comprehensive income in the term	-	-	-	-	15,615	15,615	(24,305)	(608)	(24,913)	-	(9,298)
Appropriation and distribution of earnings:											
Appropriation to legal reserve	-	-	18,551	-	(18,551)	-	-	-	-	-	-
Appropriation to special reserve	-	-	-	(36,744)	36,744	-	-	-	-	-	-
Cash dividend for common stock	-	-	-	-	(145,687)	(145,687)	-	-	-	-	(145,687)
Disposal of equity instruments at fair value through other comprehensive income (Note 6(3))	-	-	-	-	(37,609)	(37,609)	-	37,609	37,609	-	-
Other changes in additional paid-in capital	-	54	-	-	-	-	-	-	-	-	54
<b>Balance as of December 31, 2023</b>	<b>\$ 1,836,081</b>	<b>199,653</b>	<b>753,361</b>	<b>165,308</b>	<b>809,619</b>	<b>1,728,288</b>	<b>(152,612)</b>	<b>-</b>	<b>(152,612)</b>	<b>(24,059)</b>	<b>3,587,351</b>

(Please see notes to the consolidated financial statement)

Chairman: Lin Chen Ya-Tzu

Manager: Lin Sheng-Chih

Accounting Manager: Lin Tseng-Hsin

**KAULIN MFG CO, LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

**Dec. 31, 2023 and Dec. 31, 2022**

	Unit: NT\$ thousands	
	2023	2022
<b>Cash flow from operating activities:</b>		
Net income before tax (loss) from continuing operations	\$ (41,872)	259,401
Net profit (loss) before tax from discontinued operation	77,480	(23)
Net profit before tax	35,608	259,378
<b>Adjustment Items:</b>		
Adjustments to reconcile profit (loss)		
Depreciation expense	68,468	68,175
Amortization expense	5,935	6,411
Expected credit losses (reversal gain)	29,508	(7,310)
Interest expense	4,060	8,090
Interest income	(30,297)	(16,014)
Dividend income	(771)	(991)
Loss (gain) from the disposal and scrapping of property, plant and equipment	(1,313)	2,107
Inventory obsolescence and valuation loss	23,801	32,625
Unrealized foreign currency exchange losses (gains)	9,644	(12,443)
Gain on disposal of assets of discontinued operation	(90,852)	-
Total income and expense items	18,183	80,650
<b>Changes in assets/liabilities related to operating activities:</b>		
Decrease (increase) of notes receivable	(14,215)	29,004
Decrease in accounts receivable	134,548	262,434
Decrease (increase) of inventory	247,358	(63,021)
Decrease (increase) in advance payment	(4,059)	51,030
Decrease in other current assets	601	2,457
Decrease in contract liabilities	(7,331)	(25,248)
Decrease in accounts payable	(19,780)	(339,961)
Decrease in other payables	(43,143)	(15,763)
Decrease (increase) in other current liabilities	(32)	586
Decrease in net defined benefit liability	(3,945)	(6,495)
Total adjustment items	308,185	(24,327)

(Please see notes to the consolidated financial statement)

Chairman: Lin Chen Ya-Tzu

Manager: Lin Sheng-Chih

Accounting Manager: Lin Tseng-Hsin

**KAULIN MFG CO, LTD. AND ITS SUBSIDIARIES**

**Consolidated Statement of Cash Flows (Continued)**

**Dec. 31, 2023 and Dec. 31, 2022**

	<b>Unit: NT\$ thousands</b>	
	<b>2023</b>	<b>2022</b>
Cash inflow from operations	\$ 343,793	235,051
Interest received	26,691	15,542
Interest paid	(4,305)	(7,883)
Income taxes paid	(67,301)	(81,135)
<b>Net cash inflow from operating activities</b>	<b>298,878</b>	<b>161,575</b>
<b>Cash flow from investing activities:</b>		
Disposal of financial assets at fair value through other comprehensive income	23,387	-
Acquisition of financial assets measured at amortized cost	(448,606)	(9,289)
Disposal of financial assets measured at amortized cost	95,195	89,772
Cash and cash equivalents reclassified to non-current assets held for sale	(188,996)	-
Acquisition of property, plant and equipment	(16,829)	(22,306)
Disposal of property, plant and equipment	1,658	1,070
Disposal of assets of discontinued operations	131,639	-
Decrease (increase) in refundable deposits	2,541	(515)
Acquisition of intangible assets	(6,091)	(9,123)
Increase in prepayments for business facilities	(5,484)	-
Dividends received	771	991
<b>Net cash (outflow) inflow from investing activities</b>	<b>(410,815)</b>	<b>50,600</b>
<b>Cash flow from financing activities:</b>		
Increase in short-term loans	-	358,800
Decrease in short-term borrowings	(153,549)	-
Repayment of long-term borrowings	-	(343,652)
Decrease in deposits received	-	(535)
Repayment of lease principal	(1,094)	(1,066)
Issuance of cash dividends	(145,687)	(127,476)
Other changes in additional paid-in capital	54	4
<b>Net cash outflow from financing activities</b>	<b>(300,276)</b>	<b>(113,925)</b>
Effect of the changes in exchange rate on cash and cash equivalents	(21,161)	16,759
Increase (decrease) in cash and cash equivalents in the current period	(433,374)	115,009
Beginning balance of cash and cash equivalents	1,170,341	1,055,332
Ending balance of cash and cash equivalents	<b>\$ 736,967</b>	<b>1,170,341</b>

(Please see notes to the consolidated financial statement)

Chairman: Lin Chen Ya-Tzu

Manager: Lin Sheng-Chih

Accounting Manager: Lin Tseng-Hsin

#### **Four. Appendix**

#### **Appendix I. Rules and Procedures of Shareholders' Meeting**

KAULIN MFG CO, LTD.

#### **Rules and Procedures of Shareholders' Meeting**

Amended by the Shareholders' Meeting on August 31, 2021

- Article 1      Article 1 These Rules have been adopted in order to establish a good governance system, improve the supervisory function, and strengthen the management function of the Company's shareholders' meeting pursuant to Article 182-1 of the Company Act and Article 5 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies for compliance.
- Article 2      The rules of procedures for the Company's shareholders' meetings, except as otherwise provided by laws and regulations or the Articles of Incorporation, shall be in accordance with these Rules.
- Article 3      (Convening of shareholders' meeting and meeting notice)  
Shareholders' meetings of the Company shall be convened by the Board of Directors, unless otherwise provided in the law.  
The Company shall prepare electronic versions of the shareholders' meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) 30 days before the date of the annual general meeting or before 15 days before the date of a special shareholders' meeting. The Company shall prepare electronic versions of the shareholders' meeting handbook and supplemental meeting materials and upload them to the MOPS 21 days before the date of the annual general meeting or 15 days before the date of the special shareholders' meeting. Fifteen days before the date of the shareholders' meeting, the Company shall also have prepared the shareholders' meeting handbook and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby, as well as being distributed on-site at the meeting venue.  
The reasons for convening the meeting shall be specified in the notice and announcements. The notice may be given by electronic means with the consent of the addressee.  
Election or dismissal of directors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the Company, or any matter under Paragraph 1, Article 185 of the Company Act, Articles 26-1 and 43-6 of the Securities Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering, and Issuance of Securities by Securities Issuers shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extraordinary motion.  
Where re-election of all directors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders' meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.  
A shareholder holding one percent or more of the total number of issued shares may submit to the Company a proposal for discussion at the annual general meeting. The number of items so proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda. A shareholder may propose a recommendation for urging the Company to promote public interests or fulfill its social responsibilities, which will be included in the meeting agenda. When the circumstances of any subparagraph of Article 172-1, Paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda.  
Prior to the book closure date before the annual general meeting is held, the Company



shall publicly announce its acceptance of shareholder proposals by correspondence or electronically, and the location and time period for their submission. The period for submission of shareholder proposals may not be less than 10 days.

Each proposal submitted by shareholders is limited to 300 words. A proposal exceeding 300 words will not be included in the discussion agenda. Shareholders making proposals should attend the annual general meeting in person or entrust an agent to attend and participate in the discussion of the proposal.

Prior to the date for the issuance of the notice of a shareholders' meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders' meeting the Board of Directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

Article 4 For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to the Company five days before the date of the shareholders' meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail, unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Article 5 (Guidelines for place and time of shareholders' meetings)

The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 am and no later than 3 pm.

Article 6 (Preparation of signature books and other documents)

The Company shall furnish the attending shareholders or their proxies (hereinafter referred to as the "shareholders") to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting handbook, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished. Shareholders or their proxies (hereinafter referred to as "shareholders") shall attend shareholders' meetings with attendance cards, sign-in cards, or other attendance certificates. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

When the government or a legal person is a shareholder, he/she may be represented by more than one representative at a shareholders' meeting. When a legal person is appointed to attend as proxy, he/she may designate only one person to represent himself/herself in the meeting.

Article 7 (Chair of shareholders' meeting, non-voting participants)

If a shareholders' meeting is convened by the Board of Directors, the meeting shall be Chairmaned by the Chairman of the Board. When the Chairman of the Board is on leave or for any reason is unable to exercise the powers of the Chairman, the vice Chairman shall do so in place of the Chairman, or, if there is no vice Chairman or the vice Chairman also is on leave or for any reason is unable to act, by a managing director designated by the Chairman, or, if there is no managing director, by a director designated thereby, or, if the Chairman does not make such a designation, by a managing director or director elected by and from among themselves.

When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for

six months or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic person director that serves as chair.

It is advisable that shareholders' meetings convened by the Board of Directors be Chairmanned by the Chairman of the Board in person and attended by a majority of the directors, at least one supervisor in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

If a shareholders' meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting.

Article 8

(Documentation of a shareholders' meeting by audio or video)

The Company shall make an audio and video recording of the entire meeting of shareholders and the recorded materials shall be retained for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 9

Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in, plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time and disclose information concerning the number of nonvoting shares and number of shares represented by shareholders attending the meeting. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Paragraph 1, Article 175 of the Company Act. All shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month.

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

Article 10

(Proposal discussion)

If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders. When the chair is of the opinion that a proposal has been discussed

sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.

Article 11

(Shareholder speaking)

Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor. The chair shall stop any violation.

When a corporate shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Article 12

(Calculation of voting shares and recusal system)

Voting at shareholders' meetings shall be calculated based on numbers of shares.

With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as a proxy for 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 attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as a proxy by two or more shareholders, the voting rights represented by that proxy may not exceed three percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

Article 13

Article 13 A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Paragraph 2, Article 179 of the Company Act.

When the Company holds a shareholders' meeting, it shall exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person. However, to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company two days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders' meeting in person or online, a written declaration of intent to retract the voting rights already exercised under

the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, two business days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.

The vote counting shall be conducted in public at the venue of the shareholders' meeting, and the results shall be announced on-site and recorded.

Article 14 (Election matters)

The election of directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 15 Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form. The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results. The minutes shall be retained for the duration of the existence of the Company.

Article 16 (External announcement)

On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation, the number of shares represented by proxies, and the number of shares represented by shareholders attending the meeting, and shall make an express disclosure of the same at the place of the shareholders' meeting.

If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17 (Maintenance of order at the venue)

Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.

The chair may direct the proctors or security personnel to help maintain order at the

meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word “Proctor”.

At the place of a shareholders’ meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 18

(Break, continuation of the meeting)

When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

Before the completion of the agenda of the shareholders' meeting (including extraordinary motions), if the meeting venue is no longer in use, the shareholders' meeting may resolve to find another venue to continue the meeting.

A resolution may be adopted at a shareholders’ meeting to defer or resume the meeting within five days in accordance with Article 182 of the Company Act.

Article 19

These Rules, and any amendments hereto, shall be implemented after approval by the shareholders' meeting.

## **Appendix II. Articles of Incorporation**

### **KAULIN MFG CO, LTD. Articles of Incorporation Chapter 1 General Principles**

- Article 1 The Company is duly incorporated in accordance with the Company Act and bears the title of KAULIN MFG CO, LTD. The English name of the Company is KAULIN MFG CO, LTD.
- Article 2 The Company is engaged in the following businesses:
1. Processing, manufacturing, assembly, and trading of various sewing machines and their components.
  2. Casting, processing, and trading of milling products.
  3. Surface treatment, spraying, and baking varnish of various metal products.
  4. Manufacturing, assembly, and trading of various transportation equipment and mechanical parts.
  5. Casting, processing, and trading of sewing machine parts.
  6. Tender quotation and distribution business for the products of various domestic and foreign manufacturers.
  7. Import and export business of the aforementioned products.
  8. ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 2-1 The Company may have external investments in other businesses for business needs, without the restriction of Article 13 of the Company Act where the total investment amount shall not exceed 40% of the Company's paid-in capital.
- Article 2-2 The Company may provide guarantees to external parties for business needs.
- Article 3 The Company shall have its head office in Taipei City and may establish branches at other suitable locations when necessary. The establishment and abolishment of such branches shall be determined by the Board of Directors.
- Article 4 The Company shall make public announcements in accordance with Article 28 of the Company Act.

### **Chapter 2 Shares**

- Article 5 The total authorized capital of the Company shall be NTD 2,000,000,000 divided into 2,000,000,000 shares at a par value of NTD 10 each. The unissued shares are authorized to be issued by the Board of Directors in installments.
- Article 6 The shares issued by the Company may be exempted from printing share certificates, and the Company shall register its issued shares with a centralized securities depository enterprise and follow the regulations of such institution.
- Article 7 The stock affairs of the Company shall be handled in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies".
- Article 8 The transferring of shares shall cease within 60 days prior to the convening date of the annual general meeting, or within 30 days prior to the convening date of a special shareholders' meeting, or within 5 days prior to the target date fixed by the Company for distribution of dividends, bonuses, or other benefits.

### **Chapter 3 Shareholders' Meeting**

- Article 9 The shareholders' meeting is divided into regular meetings of shareholders and special meetings of shareholders. The general meeting shall be convened by the Board of Directors once a year within 6 months after the end of fiscal year, except for those with legitimate reasons and approved by the competent authority. The special meeting is convened when necessary.
- The Company may hold shareholders' meetings by videoconference or in other manners as announced by the Ministry of Economic Affairs.
- Article 10 If a shareholder is unable to attend a shareholders' meeting for any reason, in addition to following the provisions of Article 177 of the Company Act, a proxy may be issued in accordance with the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies".
- Article 11 Shareholders of the Company are entitled to one vote per share. However, shareholders' meeting the circumstances stipulated in the Company Act have no voting rights.

Article 12 If a shareholders' meeting is convened by the Board of Directors, the meeting shall be Chairmaned by the Chairman. When the Chairman is on leave or for any reason unable to exercise the powers of the Chairman, the proxy shall act in accordance with Article 208 of the Company Act.

If a shareholders' meeting is convened by a party with power to convene but not a member in the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

Article 13 Unless otherwise specified in the relevant laws and regulations, the resolution of the shareholders' meeting may be conducted only with the attendance of shareholders representing more than half of the total number of issued shares, and the consent of more than half of the voting rights of the shareholders present.

#### **Chapter 4 Board of Directors and Audit Committee**

Article 14 The Company shall have seven to nine members of the Board of Directors, and the term of office shall be three years. The election of directors shall adopt the candidate nomination system, and directors shall be eligible for re-election. After being elected, the Company may, by resolution of the Board of Directors, take out liability insurance for the Company's directors and independent directors.

Among the above-mentioned number of directors, independent directors shall not be less than two and shall not be less than one-fifth of the total number of directors.

The candidate nomination system is adopted for the election of independent directors.

Shareholders holding more than 1% of the total number of issued shares and the Board of Directors may propose the list of director and independent director candidates. After the Board of Directors has examined the list of candidates for directors and independent directors and submitted the list of candidates for directors and independent directors to the shareholders' meeting, the shareholders shall elect directors.

The methods for accepting the nomination of independent director candidates and announcements shall be handled in accordance with the Company Act and the Securities and Exchange Act.

Article 14-1 The Company may establish an Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act. The Audit Committee shall consist of all independent directors, and its number shall not be less than three, one of whom is the convener, and at least one of whom shall have accounting or financial expertise.

From the date of establishment of the Audit Committee, the functions and powers of the supervisors shall be replaced by the Audit Committee, and the supervisors shall be abolished at the same time.

The Audit Committee shall exercise power and compliance in accordance with relevant laws and regulations, and the Articles of Incorporation shall be separately established by the Board of Directors.

Article 15 The Board of Directors shall be organized by the directors, and one person shall be elected from among themselves to be the Chairman and one vice Chairman with the attendance of more than two-thirds of the directors and the consent of a majority of the directors present. The Chairman represents the Company externally.

Article 16 The functions and powers of the Board of Directors are as follows:

1. Decision on the business plan.
2. Review and approval of key regulations and contracts.
3. Establishment and abolishment of branches.
4. Review and approval of budget and final accounts.
5. Appointment and dismissal of key personnel.
6. Other powers conferred by the Company Act or the resolutions of the shareholders' meeting.

Article 17 Unless otherwise provided for in the Company Act, the Board of Directors shall be convened by the Chairman of the Board of Directors and Chairmaned by the Company's Chairman. When the Chairman is on leave or for some reason unable to exercise the powers of the Chairman, his/her deputy shall handle matters in accordance with Article 208 of the Company Act.

A board meeting shall be convened with a seven-days' notice to the directors stating the reason for convening. However, in case of emergency, a board meeting may be convened at any time.

The notice of the Company's board meeting may be given in writing, by fax, or by e-mail.

- Article 18 Except as otherwise stated in the Act or in the Company Act, a resolution on a matter at a board meeting requires the approval of a majority of the directors present at the meeting attended by a majority of all directors.
- Article 19 When a director is not able to attend a board meeting for any reason, he/she shall issue a written proxy. A director may accept the appointment to act as the proxy referred to in the preceding Paragraph of one other director only.
- Article 19-1 The Board of Directors is authorized to determine the remuneration of the Company's directors in accordance with the level of participation in the Company's operations and the value of their contribution and the industry standard. If the Company has earnings, the remuneration shall be distributed in accordance with Article 23 of the Articles of Incorporation.

#### **Chapter 5 Managers**

- Article 20 The Company may appoint managers. The appointment, dismissal, and remuneration of managers shall be handled in accordance with Article 29 of the Company Act.

#### **Chapter 6 Accounting**

- Article 21 The Company's fiscal year is from January 1 to December 31.
- Article 22 At the end of each fiscal year, the Board of Directors of the Company shall prepare the following tables and submit them to the Audit Committee 30 days before the annual general meeting, and then submit them to the annual general meeting for approval:
1. Business report.
  2. Financial statements.
  3. Proposal for earnings distribution or loss off-setting.
- Article 23 If there is profit in the year, the Company shall appropriate remuneration to employees and directors in the following manner.
1. 2 to 8% as the remuneration to employees; The object of the Company's employee remuneration includes the employees of the companies controlled by the Company or subsidiaries of the Company meeting certain conditions, and the conditions are set by the Board of Directors.
  2. Remuneration to directors shall not exceed 3%.
- The distribution of remuneration to employees and directors shall be approved by a majority vote of the directors at a meeting attended by at least two-thirds of the Board of Directors.
- But when the company still has accumulated losses, it should reserve an amount to offset it in advance.
- Article 24 If there is a surplus in the annual final settlement, taxes shall be paid first, followed by making up for the losses, and then appropriate 10% of it as a legal reserve. However, this restriction does not apply when the statutory earnings reserve has reached the Company's paid-in capital. If there is still a surplus after setting aside or reversing the special reserve according to laws and regulations, the balance shall be added to the accumulated undistributed surplus in previous years, and the Board of Directors shall draft a distribution proposal and submit it to the shareholders' meeting for a resolution to distribute shareholders' dividends or retain such bonuses.

#### **Chapter 7 Supplementary Provisions**

- Article 25 The Company's organizational charter and work rules shall be stipulated separately.
- Article 26 Any matters not provided for in these Articles of Incorporation shall be handled in accordance with the provisions of the Company Act.
- Article 27 The Articles of Incorporation were established on September 20, 1965  
The 1st amendment was made on June 20, 1967  
The 2nd amendment was made on March 15, 1971.  
The 3rd amendment was made on May 15, 1976.  
The 4th amendment was made on April 29, 1977.  
The 5th amendment was made on November 10, 1980  
The 6th amendment was made on August 20, 1983  
The 7th amendment was made on November 14, 1987  
The 8th amendment was made on February 15, 1988.  
The 9th amendment was made on August 15, 1989  
The 10th amendment was made on November 2, 1989  
The 11th amendment was made on December 30, 1989  
The 12th amendment was made on August 15, 1994



The 13th amendment was made on February 10, 1995.  
The 14th amendment was made on May 21, 1997.  
The 15th amendment was made on November 16, 1997.  
The 16th amendment was made on June 13, 1998.  
The 17th amendment was made on December 22, 1998.  
The 18th amendment was made on May 22, 1999  
The 19th amendment was made on June 22, 2000  
The 20th amendment was made on June 15, 2001  
The 21st amendment was made on June 20, 2002  
The 22nd amendment was made on June 18, 2004  
The 23rd amendment was made on June 17, 2005  
The 24th amendment was made on June 16, 2006  
The 25th amendment was made on June 25, 2008  
The 26th amendment was made on June 19, 2009  
The 27th amendment was made on June 18, 2010  
The 28th amendment was made on June 28, 2016  
The 29th amendment was made on June 15, 2017  
The 30th amendment was made on June 21, 2019  
The 31st amendment was made on August 31, 2021.  
The 32nd amendment was made on June 24, 2022

**KAULIN MFG CO, LTD.**

**Chairman: Lin Chen Ya-Tzu**

### Appendix III. Shareholdings of Directors

#### Shareholdings of Directors of KAULIN MFG CO, LTD

Date of suspension of transfer: April 23, 2024

Job title	Name	Date elected	Term of office	Shareholding as recorded in the shareholder registry on the book closure date	
				Number of shares	Shareholding ratio
Chairman	Lin Chen Ya-Tzu	2023.06.30	3 years	2,587,412	1.41%
Corporate Director	HUNG-LIN Investment Co., Ltd.	2023.06.30	3 years	43,263,015	23.56%
	Representative Lin Sheng-Chih			6,483,205	3.53%
Corporate Director	HUNG-LIN Investment Co., Ltd.	2023.06.30	3 years	43,263,015	23.56%
	Representative Lin Yu-Cheng			2,981,803	1.62%
Independent Director	Lin Sheng-Sheng	2023.06.30	3 years	0	0.00%
Independent Director	Yang Chi-Lun	2023.06.30	3 years	0	0.00%
Independent Director	Huang Li-Ting	2023.06.30	3 years	0	0.00%
Independent Director	Tang Yan-Bo	2023.06.30	3 years	0	0.00%
Total shareholders of all directors				55,315,435	30.12%

Note: 1. The Company's paid-in capital is NTD 1,836,080,800, and the total number of issued shares is 183,608,080.

2. All directors held the minimum statutory requirement of 11,016,484 shares, and currently they hold 55,315,435 shares, reaching the legal requirement.

### Appendix IV. Information on Remuneration to Directors and Employees

The amounts of remuneration to directors and employees in cash as proposed by the Board of Directors on March 14, 2024 are as follows. The aforementioned will be processed in accordance with the relevant regulations after the resolution of the annual shareholders' meeting on June 21, 2024.

Item	Remuneration to directors (NTD)	Remuneration to employees in cash (NTD)
Amount proposed by the Board of Directors on March 14, 2024	718,320	1,915,519
Estimates in 2023 accounts	718,320	1,915,519
Discrepancy	0	0
Reason and explanation of discrepancy: None		