

Stock Code: 6982



WALRUS PUMP Co., Ltd.

## **2025 Annual General Shareholders' Meeting Meeting Handbook**

**Convention Method: Physical Shareholders' Meeting**

**Date and Time: 9:00 a.m., May 27, 2025**

**Meeting Venue: (Kaohsiung Zhengyi Plant) No. 2-1, Lane 2, Huaguang  
Road, Luzhu District, Kaohsiung City**

# **Table of Contents**

	Page No.
<b>One. Meeting Procedure .....</b>	<b>1</b>
<b>Two. Meeting Agenda .....</b>	<b>2</b>
<b>I. Report Items .....</b>	<b>3</b>
<b>II. Ratification Items .....</b>	<b>3</b>
<b>III. Discussion Items .....</b>	<b>4</b>
<b>IV. Extraordinary Motions .....</b>	<b>6</b>
<b>Three. Attachments</b>	
<b>I. 2024 Business Report.....</b>	<b>7</b>
<b>II. 2024 Audit Committee's Review Report .....</b>	<b>9</b>
<b>III. 2024 Independent Auditor's Report and Financial         Statements (Consolidated) .....</b>	<b>10</b>
<b>IV. 2024 Independent Auditors' Report and Financial         Statements (Parent Company Only) .....</b>	<b>21</b>
<b>V. 2024 Earnings Distribution Table .....</b>	<b>31</b>
<b>VI. Comparison Table for Amendments of “Articles of         Incorporation” .....</b>	<b>32</b>
<b>VII. Comparison Table for Amendments of “Procedures for         Acquisition and Disposal of Assets” .....</b>	<b>36</b>
<b>VIII. Comparison Table for Amendments of “Corporate         Governance Best Practice Principles” .....</b>	<b>38</b>
<b>IX. Description of Issuance of New Restricted Employee         Shares in 2025 .....</b>	<b>40</b>
<b>X. 2024 Regulations for Issuance of New Restricted Employee         Shares .....</b>	<b>43</b>
<b>Four. Appendices</b>	
<b>I. Articles of Incorporation (Before Amendment) .....</b>	<b>49</b>
<b>II. Procedures for Acquisition or Disposal of Assets (Before         Amendment) .....</b>	<b>61</b>
<b>III. Corporate Governance Best Practice Principles (Before         Amendment) .....</b>	<b>84</b>
<b>IV. Rules of Procedure for Shareholders' Meetings .....</b>	<b>111</b>
<b>V. Shareholding of Directors .....</b>	<b>130</b>

**WALRUS PUMP Co., Ltd.**  
**2025 Annual General Shareholders' Meeting**  
**Procedure**

- I. Call the Meeting to Order
- II. Chairperson's Remarks
- III. Report Items
- IV. Ratification Items
- V. Discussion Items
- VI. Extraordinary Motions
- VII. Adjournment

# **WALRUS PUMP Co., Ltd.**

## **2025 Annual General Meeting Agenda**

Meeting Date and Time: 9:00 a.m., May 27, 2025 (Tuesday)

Meeting Venue: (Kaohsiung Zhengyi Plant) No. 2-1, Lane 2, Huaguang Road, Luzhu District, Kaohsiung City

- I. Call Meeting to Order
- II. Chairperson's Remarks
- III. Report Items:
  - (I) 2024 Business Report.
  - (II) 2024 Audit Committee's Review Report.
  - (III) Report on 2024 Distribution of Remuneration of Employees and Directors.
- IV. Ratification Items:
  - (I) Adoption of the 2024 Financial Statements and Business Report.
  - (II) Adoption of the 2024 Earnings Distribution Proposal.
- V. Discussion Items:
  - (I) Proposal for amendment to the “Articles of Incorporation” of the Company.
  - (II) Proposal for amendment to the “Procedures for Acquisition or Disposal of Assets” of the Company.
  - (III) Proposal for amendment to the “Corporate Governance Best Practice Principles” of the Company.
  - (IV) Proposal for issuance of new restricted employee shares of the Company.
- VI. Extraordinary Motions
- VII. Adjournment

## Report Items

### I. 2024 Business Report.

Explanation: For the 2024 Business Report, please refer to page 7 [Attachment 1] of this Handbook.

### II. 2024 Audit Committee's Review Report.

Explanation: For the 2024 Audit Committee's Review Report, please refer to page 9 [Attachment 2] of this Handbook.

### III. Report on 2024 Distribution of Remuneration of Employees and Directors.

Explanation:

- I. The remunerations of employees and directors are distributed in accordance with Article 33-1 of the Articles of Incorporation of the Company.
- II. The Company's net income before tax before the deduction of remunerations of employees and directors in 2024 was NT\$127,042,500. It is proposed to appropriate NT\$8,876,423 as the remuneration of employees and NT\$2,536,121 as the remuneration of directors, for a total of NT\$11,412,544, all of which is to be distributed in the form of cash.

## Ratification Items

Proposal 1 (proposed by the Board of Directors)

Proposal: Adoption of the 2024 financial statements and business report, submitted for ratification.

Explanation:

- I. The Company's 2024 consolidated financial statements and parent company only financial statements have been audited by CPAs Chin-Chang Chen and Fu-Min Liao of PwC Taiwan, which have been submitted along with the business report to the Audit Committee for review, and an audit report has been issued.
- II. Please refer to page 7 [Attachment 1] and pages 10~30 [Attachment 3 and 4] of this Handbook for the Company's 2024 Business Report, independent Auditor's Audit Report and Financial Statements of the Company.
- III. Please proceed with the ratification thereof.

Resolution:

Proposal 2 (proposed by the Board of Directors)

Proposal: Adoption of the 2024 earnings distribution proposal, submitted for ratification.

Explanation:

- I. Please refer to page 31 [Attachment 5] of this Handbook for the Company's 2024 Earnings Distribution Table.
- II. The Company intends to appropriate NT\$84,733,110 from the distributable earnings of 2024 for the distribution of cash dividends, and the distribution of cash dividends is NT\$2.1 per share.
- III. The cash dividend is calculated to the nearest dollar based on the percentage of distribution and is rounded up to the nearest NT\$1. The fractional amounts less than NT\$1 are adjusted from the largest to the smallest and from the first to the last in the descending order to match the total cash dividend distribution.
- IV. The General Shareholders' Meeting is proposed to authorize the Chairman to determine the ex-dividend base date, payment date and other related matters. If the Company's subsequent change of capital stock affects the number of outstanding shares, such that change to the dividend yield of shareholders occurs, the Chairman is authorized to handle such matters with full discretion in accordance with relevant laws and regulations.
- V. Please proceed with the ratification thereof.

Resolution:

## Discussion Items

Proposal 1 (proposed by the Board of Directors)

Proposal: Proposal for amendments to the "Articles of Incorporation" of the Company, submitted for discussion.

Explanation:

- I. In accordance with Paragraph 6 of Article 14 of the Securities and Exchange Act and based on the Company's future development needs, the "Articles of Incorporation" of the Company are proposed to be amended. Please refer to pages 32 through 35 [Attachment 6] of this Handbook for the comparison table of amended clauses.
- II. Please proceed with discussion.

Resolution:

Proposal 2 (proposed by the Board of Directors)

Proposal: Proposal for the amendments to the “Procedures Governing the Acquisition or Disposal of Assets” of the Company, submitted for discussion.

Explanation:

- I. To cope with the Company's business development and practical operation needs, the “Procedures for Acquisition or Disposal of Assets” of the Company are proposed to be amended. Please refer to pages 36 and 37 [Attachment 7] of this Handbook for the comparison table of amended clauses.
- II. Please proceed with discussion.

Resolution:

Proposal 3 (proposed by the Board of Directors)

Proposal: Proposal for amendment to the “Corporate Governance Best Practice Principles” of the Company, submitted for review.

Explanation:

- I. To establish a sound corporate governance system of the Company, the “Corporate Governance Best Practice Principles” of the Company is proposed to be amended in accordance with the 2025 Corporate Governance Assessment. Please refer to page 38 and 39 [Attachment 8] of this Handbook for the comparison table of amended clauses.
- II. Please proceed with discussion.

Resolution:

Proposal 4 (proposed by the Board of Directors)

Proposal: Proposal for issuance of new restricted employee shares of the Company, submitted for discussion.

Explanation:

- I. To recruit and retain key talents of the Company, and to integrate the interests of employees and shareholders with the ESG results, the Company issues new restricted employee shares in accordance with Paragraph 9 of Article 267 of the Company Act and the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers” published by the Financial Supervisory Commission (FSC).

- II. For the present issuance of new restricted employee shares, 300,000 common shares are proposed to be issued at a par value of NT\$10 per share, and the total issuance amount is NT\$3,000,000. If the issuance price is NT\$0, the shares are issued at no consideration. The issuance period is within two years from the date when the notice of effective filing from the competent authority's is served. The issuance may be made all at once or at discrete times depending upon the needs, and the actual issue date and related matters are to be determined by the Board of Directors or by the Chairman authorized by the Board of Directors.
- III. For the details of the issuance criteria, employee qualifications, number of shares allocated or subscribed, the reasons for the necessity of present issuance of new restricted employee shares, possible expenses, dilution of earnings per share, and other impacts on shareholders' equity, please refer to pages 40~42 [Attachment 9] of this Handbook.
- IV. In case where it is necessary to amend any criteria specified for the present issuance of new restricted employee shares due to, such as, amendments of laws and regulations or competent authorities' requirements, etc., the General Shareholders' Meeting is proposed to authorize the Chairman to handle such matter with full discretion, following which it is then reported to the Board of Directors for supplemental ratification, in order to execute the issuance.
- V. Relevant restrictions and important agreements or matters not specified for present issuance of new restricted employee shares shall be handled in accordance with the relevant laws and the issuance regulations established by the Company.
- VI. For the Company's 2025 Regulations for Issuance of New Restricted Employee Shares, please refer to pages 43~48 [Attachment 10] of this Handbook.
- VII. Please proceed with discussion.

Resolution:

## **Extraordinary Motions**

## **Adjournment**



# WALRUS PUMP Co., Ltd.

## Business Report

In 2024, due to the unstable international political and economic situation, the impact of inflation, geopolitical conflicts (such as the US-China trade war, Russo-Ukrainian War, etc.), and fluctuations in energy market prices, supply chain recovery faced great challenges during the post-pandemic era, and particularly for semiconductor and other key raw materials. Nevertheless, the price of bulk metals has been relatively stable. With the rapid technological innovation and digital transformation, the applications of artificial intelligence (AI) and automation technology are becoming broader in scope, such that overall domestic and overseas sales market demand indicates an increasing trend. The Company remains optimistic about the global economic development. Nonetheless, the Company also expects to face internal and external challenges. With the great efforts of all employees, the Company's revenue performance in 2024 has shown steady growth, and the Company has successfully entered the capital market to achieve new milestone. The following is a summary of the 2024 business results and 2025 business plan:

### I. 2024 Business Result

- (I) Business plan implementation outcome: The 2024 consolidated revenue of the Walrus Pump was NT\$1,612,759 thousand, an increase of 14.8% from NT\$1,404,797 thousand in 2023. The 2024 consolidated net income after tax was NT\$101,158 thousand, an increase of 38.19% from NT\$73,200 thousand in 2023.
- (II) Analysis of financial income/expenditure and profitability: Please refer to the attached financial statements for the financial overview of 2024.

### II. 2025 Business Plan

- (I) Management policy: The Company upholds the management philosophy of "Innovative Inputs, Outstanding Outputs". While facing an ever-changing business environment, the Company will continue to achieve predefined goals and growth, and is committed to the development of new products and improvement of overall quality management, along with the strengthening of brand marketing of the Company, in order to achieve stable profit growth.
- (II) Overview of expected production and sales: In response to the insufficient production capacity, new product applications and overseas market expansions, the Company started the construction of a new facility in 2022 and the new facility is expected to start production operations before the end of 2025. The Company plans to invest in the introduction and establishment of automation production equipment, Big Data collection and smart logistics, in order to actively improve smart production and manufacturing technology and capacity scale, thereby achieving the economics of scale and cooperating with the subsequent mass production plans for industrial water pumps and technology water pumps. Accordingly, the overall production and sales of the Group are expected to become more flexible and the production efficiency can be maximized.
- (III) Research and development plan: The Company will continue to invest in the development and design of technologies for pump applications. In addition to the continuous development of BLDC motors, strengthening of IoT smart monitoring modules and the

technical after-sales service, the Company also seeks to find product niches based on market trends, in order to improve product competitiveness. Furthermore, the Company is committed to obtaining new product patents and optimization of related material applications in order to maintain the Company's long-term competitive advantages.

Looking ahead at 2025, the Company will continue to provide users with comprehensive pump solutions based on the corporate core value of “Common Good, Sunlight, and Continuous Improvement” in order to achieve the objective of providing quality customer services. In addition, the Company will continue to invest in the research and development of new products as well as innovative technologies. Walrus Pump will continue to focus on ESG sustainability topics, and will strengthen the greenhouse gas inventory (the future goal is to cover Scope 3). The Company also plans to complete its autonomous carbon reduction goal, thereby leading the water pump industry to move towards corporate governance, sustainable development and friendly supply chain. In 2024, The Company has achieved the milestone of its IPO listing and has entered the capital market. In the future, we will continue to improve corporate operations, develop new and varied products based on the philosophy of continuous innovation and improvement, along with the cultivation of talents and guidance to corporate governance, in order to ensure the Company's long-term competitive advantages in the future. We sincerely thank all customers, suppliers, shareholders and our employees for their long-term support!

Chairman: Raymond Huang

President: Amy Huang

Chief Financial Officer:  
Teng-Hsi Chang

WALRUS PUMP Co., Ltd.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2024 business report, financial statements and earnings distribution proposal. The interim financial statements have been audited by CPAs Chin-Chang Chen and Fu-Min Liao of PwC Taiwan, and an audit report has been issued. We have reviewed the above business report, financial statements, and the earnings distribution proposal, to which we have found no misstatement, and we hereby issue an audit report as presented above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please proceed with the review.

Submitted to

Walrus Pump Co., Ltd. 2025 General Shareholders' Meeting

WALRUS PUMP Co., Ltd.

Audit Committee Convener: Ta-Pai  
Shen

February 26, 2025

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Walrus Pump Co., Ltd.

***Opinion***

We have audited the accompanying consolidated balance sheets of Walrus Pump Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2024 and 2023, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2024 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matter for the Group's 2024 consolidated financial statements is stated as follows:

#### **Key audit matter - Assessment of allowance for inventory valuation losses**

##### **Description**

Refer to Notes 4(11), 5(2) and 6(4) for the accounting policy, accounting estimates and assumptions and details of inventories.

The Group is primarily engaged in the manufacture and sales of pumps. As the market of pumps is highly competitive, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group's inventories are measured at the lower of cost and net realisable value. For inventories that are over a certain age, the loss on slow-moving inventories is provided based on the Group's policy.

As the assessment of allowance for inventory valuation losses involves management's subjective judgement and a high degree of estimation uncertainty, and the Group's inventories and allowance for inventory valuation losses are significant to the financial statements, we considered the assessment of allowance for inventory valuation loss as a key audit matter.

##### **How our audit addressed the matter**

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding and assessed the reasonableness of provision policies used on allowance for inventory valuation losses.

2. Obtained an understanding of the Group's warehousing management processes, reviewed the annual physical inventory count plan and participated in the annual inventory count in order to evaluate the effectiveness of procedures used by the management to identify and control obsolete inventories.
3. Verified the appropriateness of the system logic in evaluating the ageing of inventories used by management and confirmed whether inventories were classified into the accurate ageing range in the report.
4. Obtained the net realisable value assessment report of inventories to confirm whether the calculation logic was adopted consistently, sampled and tested the data sources of net realisable value, and ascertained the adequacy of provision for allowance for inventory valuation losses.

***Other matter***

We have audited and expressed an unmodified opinion on the parent company only financial statements of Walrus Pump Co., Ltd. as at and for the years ended December 31, 2024 and 2023.

***Responsibilities of management and those charged with governance for the consolidated financial statements***

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

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

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

***Auditors' responsibilities for the audit of the consolidated financial statements***

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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

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Chen, Ching Chang  
For and on behalf of PricewaterhouseCoopers, Taiwan

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Liao, Fu-Ming

February 26, 2025

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**WALRUS PUMP CO., LTD. AND SUBSIDIARIES AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2024 AND 2023**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2024		December 31, 2023	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 253,819	11	\$ 210,258	11
1136	Financial assets at amortised cost-current	6(2) and 8	11,031	-	62,105	3
1150	Notes receivable, net	6(3)	53,339	2	54,285	3
1170	Accounts receivable, net	6(3)	210,550	9	184,974	9
1200	Other receivables		4,248	-	2,830	-
130X	Inventories	6(4)	412,373	17	333,584	17
1410	Prepayments		12,836	1	9,608	-
1470	Other current assets		623	-	728	-
11XX	Total current assets		958,819	40	858,372	43
Non-current assets						
1600	Property, plant and equipment	6(5) and 8	1,119,647	47	824,912	41
1755	Right-of-use assets	6(6), 7 and 8	229,812	10	235,652	12
1780	Intangible assets	6(7)	7,105	-	9,603	1
1840	Deferred tax assets	6(22)	7,464	-	7,870	-
1900	Other non-current assets	6(8)(12) and 8	66,118	3	56,125	3
15XX	Total non-current assets		1,430,146	60	1,134,162	57
1XXX	Total assets		\$ 2,388,965	100	\$ 1,992,534	100

(Continued)

**WALRUS PUMP CO., LTD. AND SUBSIDIARIES AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2024 AND 2023**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2024		December 31, 2023	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(9) and 8	\$ 248,000	11	\$ 457,000	23
2130	Contract liabilities-current	6(18)	8,248	-	8,721	-
2150	Notes payable		8,002	-	5,107	-
2170	Accounts payable		212,579	9	123,346	6
2200	Other payables	6(10)	180,752	8	108,731	5
2230	Current tax liabilities		7,065	-	2,480	-
2280	Lease liabilities-current	7	22,679	1	18,731	1
2320	Long-term liabilities, current portion	6(11) and 8	-	-	32,249	2
2399	Other current liabilities	6(14)	18,202	1	10,026	1
21XX	Total current liabilities		705,527	30	766,391	38
Non-current liabilities						
2540	Long-term borrowings	6(11) and 8	563,684	24	419,608	21
2550	Provisions-non-current	6(14)	6,742	-	8,052	1
2570	Deferred tax liabilities	6(22)	683	-	2	-
2580	Lease liabilities-non-current	7	155,984	6	161,446	8
2600	Other non-current liabilities		233	-	359	-
25XX	Total non-current liabilities		727,326	30	589,467	30
2XXX	Total Liabilities		1,432,853	60	1,355,858	68
Equity						
	Share capital	6(15)				
3110	Common share		403,491	17	353,491	18
	Capital surplus	6(16)				
3200	Capital surplus		403,603	17	181,313	9
	Retained earnings	6(17)				
3310	Legal reserve		20,967	1	13,647	1
3350	Unappropriated retained earnings		123,061	5	85,782	4
	Other equity interest					
3400	Other equity interest		4,990	-	2,443	-
3XXX	Total Equity		956,112	40	636,676	32
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 2,388,965	100	\$ 1,992,534	100

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

**WALRUS PUMP CO., LTD. AND SUBSIDIARIES AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

			Year ended December 31			
			2024		2023	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(14)(18)		\$ 1,612,759	100	\$ 1,404,797	100
5000 Operating costs	6(4)(21)		( 1,149,027)	( 71)	( 1,015,289)	( 72)
5900 Gross profit			<u>463,732</u>	<u>29</u>	<u>389,508</u>	<u>28</u>
Operating expenses	6(21)					
6100 Selling expenses			( 103,254)	( 6)	( 93,385)	( 7)
6200 Administrative expenses			( 187,122)	( 12)	( 145,064)	( 10)
6300 Research and development expenses			( 63,580)	( 4)	( 63,330)	( 5)
6450 Excepted credit impairment loss	12(2)		( 220)	-	( 2,025)	-
6000 Total operating expenses			<u>( 354,176)</u>	<u>( 22)</u>	<u>( 303,804)</u>	<u>( 22)</u>
6900 Operating profit			<u>109,556</u>	<u>7</u>	<u>85,704</u>	<u>6</u>
Non-operating income and expenses						
7100 Interest income	6(2)		3,609	-	1,863	-
7010 Other income	6(19)		2,415	-	1,019	-
7020 Other gains and losses	6(20)		8,856	1	( 420)	-
7050 Finance costs	6(6) and 7		( 8,427)	( 1)	( 11,506)	( 1)
7000 Total non-operating income and expenses			<u>6,453</u>	<u>-</u>	<u>( 9,044)</u>	<u>( 1)</u>
7900 Profit before income tax			<u>116,009</u>	<u>7</u>	<u>76,660</u>	<u>5</u>
7950 Income tax expense	6(22)		( 14,851)	( 1)	( 3,460)	-
8200 Profit for the year			<u>\$ 101,158</u>	<u>6</u>	<u>\$ 73,200</u>	<u>5</u>
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311 Gain on remeasurement of defined benefit plan	6(12)		\$ -	-	\$ 949	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss						
8361 Financial statements translation differences of foreign operations			<u>2,547</u>	<u>-</u>	<u>( 1,653)</u>	<u>-</u>
8300 Total other comprehensive income (loss) for the year			<u>\$ 2,547</u>	<u>-</u>	<u>( \$ 704)</u>	<u>-</u>
8500 Total comprehensive income for the year			<u>\$ 103,705</u>	<u>6</u>	<u>\$ 72,496</u>	<u>5</u>
Profit attributable to:						
8610 Shareholders of the parent			<u>\$ 101,158</u>	<u>6</u>	<u>\$ 73,200</u>	<u>5</u>
Total comprehensive income attributable to:						
8710 Shareholders of the parent			<u>\$ 103,705</u>	<u>6</u>	<u>\$ 72,496</u>	<u>5</u>
Earnings per share (in dollars)	6(23)					
9750 Basic earnings per share			<u>\$ 2.85</u>		<u>\$ 2.07</u>	
9850 Diluted earnings per share			<u>\$ 2.83</u>		<u>\$ 2.06</u>	

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

**WALRUS PUMP CO., LTD. AND SUBSIDIARIES AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**  
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent						
		Retained Earnings			Other equity interest			
Notes	Common share	Capital surplus	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Gain on remeasurement of defined benefit plan	Total equity	
<u>Year ended December 31, 2023</u>								
Balance at January 1, 2023	\$ 353,491	\$ 181,313	\$ 5,965	\$ 76,823	\$ 1,753	\$ 1,394	\$ 620,739	
Profit for the year	-	-	-	73,200	-	-	73,200	
Other comprehensive income (loss) for the year	-	-	-	-	( 1,653 )	949	( 704 )	
Total comprehensive income (loss) for the year	-	-	-	73,200	( 1,653 )	949	72,496	
Distribution of 2022 earnings	6(17)							
Legal reserve	-	-	7,682	( 7,682 )	-	-	-	
Cash dividends	-	-	-	( 56,559 )	-	-	( 56,559 )	
Balance at December 31, 2023	<u>\$ 353,491</u>	<u>\$ 181,313</u>	<u>\$ 13,647</u>	<u>\$ 85,782</u>	<u>\$ 100</u>	<u>\$ 2,343</u>	<u>\$ 636,676</u>	
<u>Year ended December 31, 2024</u>								
Balance at January 1, 2024	\$ 353,491	\$ 181,313	\$ 13,647	\$ 85,782	\$ 100	\$ 2,343	\$ 636,676	
Profit for the year	-	-	-	101,158	-	-	101,158	
Other comprehensive income for the year	-	-	-	-	2,547	-	2,547	
Total comprehensive income for the year	-	-	-	101,158	2,547	-	103,705	
Issuance of shares	6(15)	50,000	213,882	-	-	-	263,882	
Share-based payment	6(13)	-	8,408	-	-	-	8,408	
Distribution of 2023 earnings	6(17)							
Legal reserve	-	-	7,320	( 7,320 )	-	-	-	
Cash dividends	-	-	-	( 56,559 )	-	-	( 56,559 )	
Balance at December 31, 2024	<u>\$ 403,491</u>	<u>\$ 403,603</u>	<u>\$ 20,967</u>	<u>\$ 123,061</u>	<u>\$ 2,647</u>	<u>\$ 2,343</u>	<u>\$ 956,112</u>	

WALRUS PUMP CO., LTD. AND SUBSIDIARIES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2024 AND 2023

(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2024	2023
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 116,009	\$ 76,660
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(5)(6)(21)	71,963	65,483
Amortization	6(7)(21)	4,197	2,265
Interest income	(	3,609 )	( 1,863 )
Interest expense		8,427	11,506
Gain on disposal of property, plant and equipment	6(20)	( 106 )	( 9 )
Expected credit impairment loss	12(2)	220	2,025
Share-based payment cost	6(13)	8,408	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		946	( 15,435 )
Accounts receivable, net	(	25,796 )	17,259
Other receivables	(	1,603 )	1,799
Inventories	(	78,789 )	38,445
Prepayments	(	3,228 )	4,674
Other current assets		105	( 55 )
Other non-current assets		8,800	( 4,496 )
Changes in operating liabilities			
Contract liabilities-current	(	473 )	2,617
Notes payable		2,895	( 859 )
Accounts payable		89,233	23,162
Other payables		27,547	( 5,295 )
Other current liabilities		8,176	6,673
Provisions-non-current	(	1,310 )	1,531
Other non-current liabilities		-	1,011
Cash inflow generated from operations		232,012	227,098
Interest received		3,794	1,667
Interest paid	(	8,105 )	( 11,026 )
Income tax paid	(	9,179 )	( 16,348 )
Net cash flows from operating activities		218,522	201,391
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in financial assets at amortised cost		51,074	( 22,168 )
Acquisition of property, plant and equipment	6(24)	( 315,928 )	( 311,957 )
Proceeds from disposal of property, plant and equipment		114	1,465
Acquisition of intangible assets	6(7)	( 1,696 )	( 6,924 )
Increase in deposits received		827	38
Net cash flows used in investing activities		( 267,263 )	( 339,622 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(25)	1,088,291	1,114,000
Repayment of short-term borrowings	6(25)	( 1,297,291 )	( 1,140,000 )
Decrease in lease liabilities	6(25)	( 20,104 )	( 23,495 )
Proceeds from long-term borrowings	6(25)	214,916	425,781
Repayment of long-term borrowings	6(25)	( 103,089 )	( 112,028 )
Issuance of shares	6(15)	263,882	-
Payment of cash dividends	6(17)	( 56,559 )	( 56,559 )
Net cash flows from financing activities		90,046	207,699
Effect of exchange rate changes		2,256	( 2,248 )
Net increase in cash and cash equivalents		43,561	67,220
Cash and cash equivalents at beginning of year		210,258	143,038
Cash and cash equivalents at end of year		\$ 253,819	\$ 210,258

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Walrus Pump Co., Ltd.

### ***Opinion***

We have audited the accompanying parent company only balance sheets of Walrus Pump Co., Ltd. (the “Company”) as at December 31, 2024 and 2023, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of material accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the parent company only financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company's 2024 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matter for the Company's 2024 parent company only financial statements is stated as follows:

**Key audit matter - Assessment of allowance for inventory valuation losses**

Description

Refer to Notes 4(10), 5(2) and 6(4) for the accounting policy, accounting estimates and assumptions and details of inventories.

The Company is primarily engaged in the manufacture and sales of pumps. As the market of pumps is highly competitive, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Company's inventories are measured at the lower of cost and net realisable value. For inventories that are over a certain age, the loss on slow-moving inventories is provided based on the Company's policy.

As the assessment of allowance for inventory valuation losses involves management's subjective judgement and a high degree of estimation uncertainty, and the Company's inventories and allowance for inventory valuation losses are significant to the financial statements, we considered the assessment of allowance for inventory valuation loss as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding and assessed the reasonableness of provision policies used on allowance for inventory valuation losses.
2. Obtained an understanding of the Company's warehousing management processes, reviewed the annual physical inventory count plan and participated in the annual inventory count in order to evaluate the effectiveness of procedures used by the management to identify and control obsolete inventories.
3. Verified the appropriateness of the system logic in evaluating the ageing of inventories used by management and confirmed whether inventories were classified into the accurate ageing range in the report.



4. Obtained the net realisable value assessment report of inventories to confirm whether the calculation logic was adopted consistently, sampled and tested the data sources of net realisable value, and ascertained the adequacy of provision for allowance for inventory valuation losses.

***Responsibilities of management and those charged with governance for the parent company only financial statements***

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

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

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

***Auditors' responsibilities for the audit of the parent company only financial statements***

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

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

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

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

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

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

Chen, Ching Chang

Liao, Fu-Ming

For and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 2025

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The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

WALRUS PUMP CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2024 AND 2023  
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2024		December 31, 2023	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 209,661	9	\$ 165,538	8
1136	Financial assets at amortised cost-current	6(2) and 8	11,031	-	62,105	3
1150	Notes receivable, net	6(3)	51,275	2	54,285	3
1170	Accounts receivable, net	6(3)	180,949	8	167,056	8
1180	Accounts receivable-related parties	7	7,881	-	9,842	1
1200	Other receivables		3,710	-	2,292	-
130X	Inventories	6(4)	393,877	17	313,180	16
1410	Prepayments		12,064	1	9,255	1
1470	Other current assets		30	-	45	-
11XX	Total current assets		870,478	37	783,598	40
Non-current assets						
1550	Investments accounted for using equity method	6(5)	80,044	3	72,155	4
1600	Property, plant and equipment	6(6) and 8	1,115,898	47	820,551	42
1755	Right-of-use assets	6(7), 7 and 8	224,420	10	227,315	11
1780	Intangible assets	6(8)	7,065	-	9,546	-
1840	Deferred tax assets	6(23)	7,464	-	7,870	-
1900	Other non-current assets	6(9)(13) and 8	65,186	3	54,899	3
15XX	Total non-current assets		1,500,077	63	1,192,336	60
1XXX	Total assets		\$ 2,370,555	100	\$ 1,975,934	100

(Continued)

WALRUS PUMP CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2024 AND 2023  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2024		December 31, 2023	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(10) and 8	\$ 248,000	11	\$ 457,000	23
2130	Contract liabilities-current	6(19)	8,248	-	8,721	-
2150	Notes payable		8,002	-	5,107	-
2170	Accounts payable		204,067	9	117,789	6
2180	Accounts payable-related parties	7	589	-	317	-
2200	Other payables	6(11)	176,388	7	105,585	5
2230	Current tax liabilities		7,065	-	2,479	-
2280	Lease liabilities-current	7	19,250	1	16,489	1
2320	Long-term liabilities, current portion	6(12) and 8	-	-	32,249	2
2399	Other current liabilities	6(15)	18,081	1	9,989	1
21XX	Total current liabilities		689,690	29	755,725	38
Non-current liabilities						
2540	Long-term borrowings	6(12) and 8	563,684	24	419,608	21
2550	Provisions-non-current	6(15)	6,742	-	8,052	1
2570	Deferred tax liabilities	6(23)	683	-	2	-
2580	Lease liabilities-non-current	7	153,644	7	155,871	8
25XX	Total non-current liabilities		724,753	31	583,533	30
2XXX	Total liabilities		1,414,443	60	1,339,258	68
Equity						
	Share capital	6(16)				
3110	Common share		403,491	17	353,491	18
	Capital surplus	6(17)				
3200	Capital surplus		403,603	17	181,313	9
	Retained earnings	6(18)				
3310	Legal reserve		20,967	1	13,647	1
3350	Unappropriated retained earnings		123,061	5	85,782	4
	Other equity interest					
3400	Other equity interest		4,990	-	2,443	-
3XXX	Total equity		956,112	40	636,676	32
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 2,370,555	100	\$ 1,975,934	100

The accompanying notes are an integral part of these parent company only financial statements.

WALRUS PUMP CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2024 AND 2023  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

			Year ended December 31			
			2024		2023	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(15)(19) and 7		\$ 1,532,852	100	\$ 1,331,727	100
5000 Operating costs	6(4)(22) and 7	(	1,089,442)	( 71)	( 961,876)	( 72)
5900 Gross profit			<u>443,410</u>	<u>29</u>	<u>369,851</u>	<u>28</u>
Operating expenses	6(22) and 7					
6100 Selling expenses		(	99,782)	( 6)	( 90,132)	( 7)
6200 Administrative expenses		(	176,601)	( 12)	( 133,855)	( 10)
6300 Research and development expenses		(	63,580)	( 4)	( 63,330)	( 5)
6450 Excepted credit impairment loss	12(2)	(	220)	-	( 1,873)	-
6000 Total operating expenses		(	<u>340,183</u>	<u>( 22)</u>	<u>( 289,190)</u>	<u>( 22)</u>
6900 Operating profit			<u>103,227</u>	<u>7</u>	<u>80,661</u>	<u>6</u>
Non-operating income and expenses						
7100 Interest income	6(2)		3,300	-	1,863	-
7010 Other income	6(20)		2,280	-	946	-
7020 Other gains and losses	6(21)		9,676	1	( 11)	-
7050 Finance costs	6(7) and 7	(	8,195)	-	( 11,136)	( 1)
7070 Share of profit of associates and joint ventures accounted for using equity method	6(5)		<u>5,342</u>	<u>-</u>	<u>4,238</u>	<u>-</u>
7000 Total non-operating income and expenses			<u>12,403</u>	<u>1</u>	<u>( 4,100)</u>	<u>( 1)</u>
7900 Profit before income tax			115,630	8	76,561	5
7950 Income tax expense	6(23)	(	14,472)	( 1)	( 3,361)	-
8200 Profit for the year			<u>\$ 101,158</u>	<u>7</u>	<u>\$ 73,200</u>	<u>5</u>
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311 Gain on remeasurement of defined benefit plan	6(13)	\$	-	-	\$ 949	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss						
8361 Financial statements translation differences of foreign operations			<u>2,547</u>	<u>-</u>	<u>( 1,653)</u>	<u>-</u>
8300 Total other comprehensive income (loss) for the year		\$	<u>2,547</u>	<u>-</u>	<u>( \$ 704)</u>	<u>-</u>
8500 Total comprehensive income for the year		\$	<u>103,705</u>	<u>7</u>	<u>\$ 72,496</u>	<u>5</u>
Earnings per share (in dollars)	6(24)					
9750 Basic earnings per share		\$	<u>2.85</u>		<u>\$ 2.07</u>	
9850 Diluted earnings per share		\$	<u>2.83</u>		<u>\$ 2.06</u>	

The accompanying notes are an integral part of these parent company only financial statements.

WALRUS PUMP CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2024 AND 2023  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Retained Earnings			Other equity interest			
	Notes	Common share	Capital surplus	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Gain on remeasurement of defined benefit plan	Total equity
<u>Year ended December 31, 2023</u>								
Balance at January 1, 2023		\$ 353,491	\$ 181,313	\$ 5,965	\$ 76,823	\$ 1,753	\$ 1,394	\$ 620,739
Profit for the year		-	-	-	73,200	-	-	73,200
Other comprehensive income (loss) for the year		-	-	-	-	( 1,653 )	949	( 704 )
Total comprehensive income (loss) for the year		-	-	-	73,200	( 1,653 )	949	72,496
Distribution of 2022 earnings	6(18)							
Legal reserve		-	-	7,682	( 7,682 )	-	-	-
Cash dividends		-	-	-	( 56,559 )	-	-	( 56,559 )
Balance at December 31, 2023		<u>\$ 353,491</u>	<u>\$ 181,313</u>	<u>\$ 13,647</u>	<u>\$ 85,782</u>	<u>\$ 100</u>	<u>\$ 2,343</u>	<u>\$ 636,676</u>
<u>Year ended December 31, 2024</u>								
Balance at January 1, 2024		\$ 353,491	\$ 181,313	\$ 13,647	\$ 85,782	\$ 100	\$ 2,343	\$ 636,676
Profit for the year		-	-	-	101,158	-	-	101,158
Other comprehensive income for the year		-	-	-	-	2,547	-	2,547
Total comprehensive income for the year		-	-	-	101,158	2,547	-	103,705
Issuance of shares	6(16)	50,000	213,882	-	-	-	-	263,882
Share-based payment	6(14)	-	8,408	-	-	-	-	8,408
Distribution of 2023 earnings	6(18)							
Legal reserve		-	-	7,320	( 7,320 )	-	-	-
Cash dividends		-	-	-	( 56,559 )	-	-	( 56,559 )
Balance at December 31, 2024		<u>\$ 403,491</u>	<u>\$ 403,603</u>	<u>\$ 20,967</u>	<u>\$ 123,061</u>	<u>\$ 2,647</u>	<u>\$ 2,343</u>	<u>\$ 956,112</u>

The accompanying notes are an integral part of these parent company only financial statements.

WALRUS PUMP CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2024 AND 2023  
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 115,630	\$ 76,561
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(6)(7)(22)	67,984	61,624
Amortization	6(8)(22)	4,177	2,246
Expected credit impairment loss	12(2)	220	1,873
Interest income	(	3,300 )	( 1,863 )
Interest expense		8,195	11,136
Gain on disposal of property, plant and equipment	6(21)	( 106 )	( 9 )
Share of profit of associates and joint ventures accounted for using equity method	6(5)	( 5,342 )	( 4,238 )
Share-based payment cost	6(14)	8,408	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		3,010	( 15,787 )
Accounts receivable, net	(	14,113 )	14,877
Accounts receivable-related parties		1,961	5,037
Other receivables	(	1,603 )	1,967
Inventories	(	80,697 )	35,587
Prepayments	(	2,809 )	4,027
Other current assets		15	( 31 )
Other non-current assets		8,506	( 3,906 )
Changes in operating liabilities			
Contract liabilities-current	(	473 )	3,022
Notes payable		2,895	( 859 )
Accounts payable		86,278	23,962
Accounts payable-related parties		272	( 28 )
Other payables		26,329	( 6,485 )
Other payables-related parties		-	( 277 )
Other current liabilities		8,092	6,635
Provisions-non-current	(	1,310 )	1,531
Cash inflow generated from operations		232,219	216,602
Interest paid	(	7,873 )	( 10,656 )
Interest received		3,485	1,667
Income tax paid	(	8,799 )	( 16,250 )
Net cash flows from operating activities		219,032	191,363
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (increase) in financial assets at amortised cost		51,074	( 22,168 )
Acquisition of investments accounted for using equity method	6(5)	-	( 16,137 )
Acquisition of property, plant and equipment	6(25)	( 315,928 )	( 310,291 )
Proceeds from disposal of property, plant and equipment		114	1,440
Acquisition of intangible assets	6(8)	( 1,696 )	( 6,924 )
Increase in deposits received	(	827 )	( 575 )
Net cash flows used in investing activities		267,263	354,655
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short-term borrowings	6(26)	1,088,291	1,114,000
Repayment of short-term borrowings	6(26)	( 1,297,291 )	( 1,140,000 )
Decrease in lease liabilities	6(26)	( 17,796 )	( 19,791 )
Proceeds from long-term borrowings	6(26)	214,916	425,781
Repayment of long-term borrowings	6(26)	( 103,089 )	( 112,028 )
Issuance of shares	6(16)	263,882	-
Payment of cash dividends	6(18)	( 56,559 )	( 56,559 )
Net cash flows from financing activities		92,354	211,403
Net increase in cash and cash equivalents		44,123	48,111
Cash and cash equivalents at beginning of year		165,538	117,427
Cash and cash equivalents at end of year		\$ 209,661	\$ 165,538

The accompanying notes are an integral part of these parent company only financial statements.



# WALRUS PUMP Co., Ltd. Earnings Distribution Table

2024

Unit: NT\$

Item	Amount
Unappropriated earnings at beginning of the period	21,903,835
Add: Net income after tax of the current year	101,157,983
Adjusted undistributed earnings	123,061,818
Less: 10% of legal reserve recognized	(10,115,798)
Distributable earnings	112,946,020
Distribution item	
Stock Dividends	-
Cash dividends - NT\$2.1 per share (40,349, 100*2.1)	84,733,110
Undistributed earnings at the end of the period	28,212,910

Chairman:  
Raymond Huang

Managerial Officer:  
Amy Huang

Accounting Officer:  
Teng-Hsi Chang

**WALRUS PUMP Co., Ltd.**  
**Comparison Table for Amendments of “Articles of Incorporation”**

Clause	Clause After Amendment	Clause Before Amendment	Explanation
<b>Article 5</b>	<p>The Company's total capital is <u>NT\$800 million</u>, divided into <u>80 million</u> shares. The amount per share is NT\$10. The Board of Directors is authorized to issue the unissued shares in discrete times.</p> <p>An amount of NT\$<u>96</u> million of the aforementioned total capital is reserved for the issuance of employee stock warrants and new restricted employee shares, for a total of <u>9.6</u> million shares, at a par value of NT\$10 per share. The Board of Directors is authorized to issue the shares in discrete times according to the law.</p>	<p>The Company's total capital is NT\$ 600 million, divided into 60 million shares. The amount per share is NT\$10. The Board of Directors is authorized to issue the unissued shares in discrete times.</p> <p>An amount of NT\$ 60 million of the aforementioned total capital is reserved for the issuance of employee stock warrants and new restricted employee shares, for a total of 96 million shares, at a par value of NT\$ 10 per share. The Board of Directors is authorized to issue the shares in discrete times according to the law.</p>	Amendment is made based on the Company's future development plan.
<b>Article 33-1</b>	<p>If the Company makes a profit at the end of a fiscal year, the following shall be appropriated:</p> <p>I. 3%-10% of the profit shall be appropriated as the remuneration of employees, <u>of which 2% shall be appropriated as the remuneration for entry-level employees.</u></p> <p>II. No more than 2% of the profit shall be appropriated as the remuneration of directors/supervisors.</p> <p>However, if the Company still has accumulated losses, the Company shall first reserve the amount to offset the losses, followed by appropriating amounts according to the ratios described in the preceding paragraph as remunerations of</p>	<p>If the Company makes a profit at the end of a fiscal year, the following shall be appropriated:</p> <p>I. 3%-10% of the profit shall be appropriated as the remuneration of employees.</p> <p>II. No more than 2% of the profit shall be appropriated as the remuneration of directors/supervisors.</p> <p>However, if the Company still has accumulated losses, the Company shall first reserve the amount to offset the losses, followed by appropriating amounts according to the ratios described in the preceding paragraph as remunerations of employees and directors/supervisors.</p> <p>The distribution of</p>	Amendment is made in accordance with the amendment of Article 14 of the Securities and Exchange Act.

Clause	Clause After Amendment	Clause Before Amendment	Explanation
	<p>employees and directors/supervisors. The distribution of remunerations of employees and directors/supervisors shall be approved by a majority of the directors present at a Board of Directors' meeting attended by more than two-thirds of the total number of directors, and shall also be reported to the shareholders' meeting. The remuneration of employees and the <u>remuneration of entry-level employees</u> described in the preceding paragraph may be disbursed in the form of shares or cash, and the <u>payment</u> recipients may <u>include</u> employees of the <u>controlling or</u> subordinate companies satisfying certain criteria, <u>and only the remuneration to directors and supervisors shall be paid in cash.</u> The distribution of remuneration to employees and directors/supervisors shall be handled in accordance with relevant laws and regulations, and shall be resolved by the Board of Directors. The Company's treasury stock may be transferred to employees, and the payment recipients of employee stock warrants, new restricted employee shares, and new shares of capital increase with cash reserved for employee subscription, may include employees of the Company's controlling or subordinate</p>	<p>remunerations of employees and directors/supervisors shall be approved by a majority of the directors present at a Board of Directors' meeting attended by more than two-thirds of the total number of directors, and shall also be reported to the shareholders' meeting. The remuneration of employees described in the preceding paragraph may be disbursed in the form of shares or cash, and the recipients of the remuneration of employees may include employees of the subordinate companies satisfying certain criteria. The distribution of remuneration to employees and directors/supervisors shall be handled in accordance with relevant laws and regulations, and shall be resolved by the Board of Directors. The Company's treasury stock may be transferred to employees, and the payment recipients of employee stock warrants, new restricted employee shares, and new shares of capital increase with cash reserved for employee subscription, may include employees of the Company's controlled or subordinate companies satisfying certain criteria.</p>	

Clause	Clause After Amendment	Clause Before Amendment	Explanation
	companies satisfying certain criteria.		
<b>Article 37</b>	<p>These Articles of Incorporation were duly enacted on March 11, 1978.</p> <p>The 1st amendment was made on August 30, 1987.</p> <p>The 2nd amendment was made on February 25, 1988.</p> <p>The 3rd amendment was made on April 25, 1989.</p> <p>The 4th amendment was made on March 9, 1992.</p> <p>The 5th amendment was made on August 6, 1992.</p> <p>The 6th amendment was made on May 30, 1994.</p> <p>The 7th amendment was made on July 18, 1994.</p> <p>The 8th amendment was made on August 9, 1994.</p> <p>The 9th amendment was made on June 3, 1996.</p> <p>The 10th amendment was made on June 1, 1998.</p> <p>The 11th amendment was made on September 28, 1998.</p> <p>The 12th amendment was made on May 24, 2000.</p> <p>The 13th amendment was made on May 22, 2001.</p> <p>The 14th amendment was made on January 23, 2002.</p> <p>The 14th amendment was made on August 2, 2004.</p> <p>The 16th amendment was made on November 10, 2006.</p> <p>The 17th amendment was made on January 10, 2007.</p> <p>The 18th amendment was made on September 5, 2014.</p> <p>The 19th amendment was made on September 8, 2015.</p> <p>The 20th amendment was made on June 30, 2017.</p> <p>The 21st amendment was made on October 20, 2020.</p> <p>The 22nd amendment was</p>	<p>These Articles of Incorporation were duly enacted on March 11, 1978.</p> <p>The 1st amendment was made on August 30, 1987.</p> <p>The 2nd amendment was made on February 25, 1988.</p> <p>The 3rd amendment was made on April 25, 1989.</p> <p>The 4th amendment was made on March 9, 1992.</p> <p>The 5th amendment was made on August 6, 1992.</p> <p>The 6th amendment was made on May 30, 1994.</p> <p>The 7th amendment was made on July 18, 1994.</p> <p>The 8th amendment was made on August 9, 1994.</p> <p>The 9th amendment was made on June 3, 1996.</p> <p>The 10th amendment was made on June 1, 1998.</p> <p>The 11th amendment was made on September 28, 1998.</p> <p>The 12th amendment was made on May 24, 2000.</p> <p>The 13th amendment was made on May 22, 2001.</p> <p>The 14th amendment was made on January 23, 2002.</p> <p>The 14th amendment was made on August 2, 2004.</p> <p>The 16th amendment was made on November 10, 2006.</p> <p>The 17th amendment was made on January 10, 2007.</p> <p>The 18th amendment was made on September 5, 2014.</p> <p>The 19th amendment was made on September 8, 2015.</p> <p>The 20th amendment was made on June 30, 2017.</p> <p>The 21st amendment was made on October 20, 2020.</p> <p>The 22nd amendment was</p>	Newly added the amendment date.

Clause	Clause After Amendment	Clause Before Amendment	Explanation
	<p>made on July 23, 2021.</p> <p>The 23rd amendment was made on June 6, 2022.</p> <p>The 24th amendment was made on May 19, 2023.</p> <p>The 25th amendment was made on August 30, 2023.</p> <p>The 26th amendment was made on February 21, 2024.</p> <p>The 27th amendment was made on June 3, 2024.</p> <p><u>The 28th amendment was made on May 27, 2025.</u></p>	<p>made on July 23, 2021.</p> <p>The 23rd amendment was made on June 6, 2022.</p> <p>The 24th amendment was made on May 19, 2023.</p> <p>The 25th amendment was made on August 30, 2023.</p> <p>The 26th amendment was made on February 21, 2024.</p> <p>The 27th amendment was made on June 3, 2024.</p>	

**WALRUS PUMP Co., Ltd.**  
**Comparison Table for Amendments of “Procedures for Acquisition and Disposal of Assets”**

Clause	Clause After Amendment	Clause Before Amendment	Explanation
<b>Article 14</b>	<p>I. Omitted.</p> <p>II. The Company's derivative trading shall be for <u>hedging trades in principle</u>, and its trading instruments shall be selected to avoid risks arising from the Company's business operations. The currency held shall be consistent with the Company's actual foreign currency required for import and export trading, and the overall internal position of the Company (refers to foreign currency income and expenses) shall be self-levied to reduce the overall foreign exchange risks and to save foreign exchange operating costs.</p>	<p>I. Omitted.</p> <p>II. The Company engaging in financial derivatives trading shall be for the <u>purpose</u> of hedging, and the trading commodities shall be selected and used mainly for hedging risks arising from the business operation of the Company. The currency held shall match with the foreign currency required for the actual import and export transactions of the Company and based on the principle of offset of the entire internal position (refers to foreign currency income and expenditure) of the Company, thereby reducing the overall foreign exchange risk of the Company and saving foreign exchange operational cost. <u>Any other trades of specific purposes shall be carefully evaluated and reported to the Board of Directors for approval before proceeding.</u></p>	Amendments made in line with the Company's actual operations.
	<p>III. Omitted.</p> <p>IV. Omitted.</p> <p>V. Loss Upper Limit The upper limit of the total and individual contract loss is specified in the following: (I) Hedging trades: Trades shall be conducted by trading personnel within the authorized limit. The <u>individual trading contract loss</u> is limited to <u>20%</u> of the trading contract amount.</p>	<p>III. Omitted.</p> <p>IV. Omitted.</p> <p>V. Loss Upper Limit The upper limit of the total and individual contract loss is specified in the following: (I) Hedging trades: Trades shall be conducted by trading personnel within the authorized limit, and the <u>stop-loss point</u> shall not exceed <u>5%</u> of the trading contract amount. (II) Trades of specific</p>	

Clause	Clause After Amendment	Clause Before Amendment	Explanation
	<p>(II) Trades of specific purposes: Trades shall be conducted by trading personnel within the authorized limit. The <u>individual trading contract loss</u> is limited to 20% of the trading contract amount.</p> <p>VI, VII. Omitted.</p>	<p>purposes: Trades shall be conducted by trading personnel within the authorized limit, and the <u>stop-loss point</u> shall not exceed 5% of the trading contract amount.</p> <p>VI, VII. Omitted.</p>	
<b>Article 15</b>	<p>Paragraphs 1, 2, 3: Omitted.</p> <p>IV. The positions held for the derivatives trading and hedge trading performed due to business needs shall be assessed at least twice monthly, and the assessment report shall be submitted to the President.</p> <p>V. Omitted.</p>	<p>Paragraphs 1, 2, 3: Omitted.</p> <p>IV. The positions held for the derivatives trading <u>shall be assessed at least once weekly</u>. <u>However</u>, for hedge trading performed due to business needs, such trades shall be assessed at least twice monthly, and the assessment report shall be submitted to the President.</p> <p>V. Omitted.</p>	Amendments made in line with the Company's actual operations.
<b>Article 31</b>	<p>I. These Procedures, and any amendments hereto, shall be approved by the Board of Directors, and shall be reported to a shareholders' meeting for approval before implementation. The same shall be applied to amendments to these Procedures.</p> <p>II. These Procedures were duly enacted on June 6, 2022.</p> <p>III. <u>The 1st amendment was made on May 27, 2025.</u></p>	<p>I. These Procedures, and any amendments hereto, shall be approved by the Board of Directors, and shall be reported to a shareholders' meeting for approval before implementation. The same shall be applied to amendments to these Procedures.</p> <p>II. These Procedures were duly enacted on June 6, 2022.</p>	Newly added the amendment date.

**WALRUS PUMP Co., Ltd.**  
**Comparison Table for Amendments of “Corporate Governance Best Practice Principles”**

Clause	Clause After Amendment	Clause Before Amendment	Explanation
<b>Article 10</b>	<p>The Company shall place high importance on the shareholders' right to know, and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders with regular and timely information on Company financial conditions and operations, insider shareholdings, and corporate governance status through the MOPS or the website established by the Company. To treat all shareholders equally, it is advisable that the Company concurrently disclose the information under the preceding paragraph in English.</p> <p>To protect its shareholders' rights and interests and ensure their equal treatment, the Company shall adopt internal rules prohibiting the Company's insiders from trading securities using information not disclosed to the market.</p> <p>The rules mentioned in the preceding paragraph shall include stock trading control measures from the date insiders of the Company become aware of the contents of the company's financial reports or relevant results, including (but not limited to) directors shall not trade stocks during the closed period of thirty days before the</p>	<p>The Company shall place high importance on the shareholders' right to know, and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders with regular and timely information on Company financial conditions and operations, insider shareholdings, and corporate governance status through the MOPS or the website established by the Company. To treat all shareholders equally, it is advisable that the Company concurrently disclose the information under the preceding paragraph in English.</p> <p>To protect its shareholders' rights and interests and ensure their equal treatment, the Company shall adopt internal rules prohibiting the Company's insiders from trading securities using information not disclosed to the market.</p> <p><del>It is advisable that</del> the rules mentioned in the preceding paragraph include stock trading control measures from the date insiders of the Company become aware of the contents of the company's financial reports or relevant results, including (but not limited to) directors shall not trade stocks during the closed period of thirty days before the</p>	<p>Amendment is made according to the 2025 corporate governance evaluation indicator requirements, in order to establish a sound corporate governance system.</p>



Clause	Clause After Amendment	Clause Before Amendment	Explanation
	announcement of annual financial report and fifteen days before the announcement of quarterly financial report.	announcement of annual financial report and fifteen days before the announcement of quarterly financial reports.	
<b>Article 13-3</b>	<u>The Company shall establish and disclose its business strategies and plans to specify the measures for enhancing corporate value, and shall also submit them to the Board of Directors and actively communicate with shareholders.</u>	This article is newly added.	
<b>Article 51</b>	<p>I. These Principles and any amendments hereto, shall be approved by the Board of Directors, and shall be reported to a shareholders' meeting for approval before implementation. The same shall be applied to amendments to these Principles.</p> <p>II. These Principles were duly enacted on February 21, 2024. <u>The 1st amendment was made on May 27, 2025.</u></p>	<p>I. These Principles and any amendments hereto, shall be approved by the Board of Directors, and shall be reported to a shareholders' meeting for approval before implementation. The same shall be applied to amendments to these Principles.</p> <p>II. These Principles were duly enacted on February 21, 2024.</p>	Newly added the amendment date.

**WALRUS PUMP Co., Ltd.**  
**Description of Issuance of New Restricted Employee Shares**  
**in 2025**

I. Total Issuance Amount

300,000 new restricted employee common shares are intended to be issued at NT\$10 per share, for a total issuance amount of NT\$3,000,000.

The Company may issue the shares at once or at discrete times within two years from the date of receipt of the notice of effective registration from the competent authority, if necessary, and the actual date of issuance and related matters shall be determined by the Board of Directors or the Chairman authorized by the Board of Directors.

II. Issuance Criteria

(I) Issue price: The present issuance is at no consideration, and the issue price is NT\$0 per share.

(II) Type of shares issued: New common shares of the Company.

(III) Vesting Conditions:

1. The indicators set forth in these Regulations shall be complied with, and the employees shall still be employed on each vesting date after being allotted the new restricted employee shares, and shall meet the overall financial performance goals set by the Company, and the personal performance evaluation indicators (i.e. the performance evaluation ratings of at least “85 points/A+” in the most recent year of the vesting period), and shall not violate these Regulations in that year.

2. The vesting conditions are as follows:

(1) Key personnel:

- 20% vested share may be vested for each year after one year of service.
- 20% vested share may be vested for each year after two years of service.
- 20% vested share may be vested for each year after three years of service.
- 20% vested share may be vested for each year after four years of service.
- 20% vested share may be vested for each year after five years of service.

(2) Personnel with high relevance and influence on the Company's operation, future strategic development, or who meet the qualification criteria:

- 30% vested share may be vested for each year after one year of service.
- 30% vested share may be vested for each year after two years of service.

- 40% vested share may be vested for each year after three years of service.
- 3. After the employee has received the new restricted employee shares allotted by the Company, if there is any violation of the labor contract or work rules, or any violation of these Regulations, the Company shall have the right to recall the new restricted employee shares without consideration and cancel the same.
- (IV) The handling method for employees who do not meet the vesting conditions or have a succession: It shall be handled in accordance with the Regulations Governing the Issuance of Shares established by the Company.
- III. Employee qualification and number of shares for allotment or subscription:
  - (I) Qualification criteria of employees
    - 1. The new restricted employee shares are limited to full-time official employees of the Company prior to the date of allotment.
    - 2. The qualifications of employees who actually have the right to subscribe shall be determined based on the following conditions:
      - (1) Key personnel.
      - (2) Personnel with high relevance and influence on the Company's operation and future strategic development.
      - (3) The evaluation takes into account the seniority, rank, performance evaluation, overall contribution and special achievement, or other conditions that need to be considered in the management.
    - 3. The distribution standards shall be approved by the Chairman and submitted to the Board of Directors for resolution. However, for an employee who is a director or managerial officer of the Company, the approval of the remuneration committee shall be obtained in advance. For an employee who is not a director or managerial officer of the Company, the approval of the audit committee shall be obtained in advance.
  - (II) Number of shares allocated
 

The cumulative number of shares exercisable through employee stock options granted to a single employee by the Company in accordance with Paragraph 1 of Article 56-1 of the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" shall not exceed 0.3% of the total number of issued shares, plus the total number of new restricted employee shares acquired by the Company, and shall not exceed 1% of the total number of issued shares in accordance with Paragraph 1 of Article 56-1 of the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers". However, if the central competent authority has provided approval as a special case, the total number of employee stock warrants and new restricted employee shares acquired by a single employee may be exempted from the aforementioned restrictions.
- IV. Reason for the necessity of present issuance of new restricted employee shares
 

For the purpose of recruiting and retaining key personnel, and the purpose of integrating employee benefits and shareholders' interests with respect to the ESG

results, the Company plans to issue new restricted employee shares.

V. Expensable amount, dilution of the Company's earnings per share and other impacts on shareholders' equity

(I) Expensable amount

According to the closing price of NT\$65.1 per share on February 17, 2025 (one business day before the mailing of the meeting notice by the Board of Directors), the estimated total expendable amount when all the vested conditions are met is NT\$19,530 thousand; according to the vested conditions, the estimated expensable amount for the period from 2025 to 2029 is NT\$9,743 thousand, NT\$5,186 thousand, NT\$2,908 thousand, NT\$1,172 thousand, and NT\$521 thousand, respectively.

(II) Dilution of the Company's earnings per share and other impacts on shareholders' equity

According to the Company's 40,349,100 outstanding ordinary shares on February 17, 2025 (one business day before the mailing of the meeting notice by the Board of Directors), the amount of possible decrease in earnings per share for the period from 2025 to 2029 is NT\$0.24, NT\$0.13, NT\$0.07, NT\$0.03 and NT\$0.01, respectively. The dilution of earnings per share of the Company is considered limited; therefore, there is no significant impact on the shareholders' equity.

# **WALRUS PUMP Co., Ltd.**

## **Regulations for 2025 Issuance of New Restricted Employee Shares**

### **I. Purpose of Issuance**

To recruit and retain key talents of the Company, and to integrate the interests of employees and shareholders with the ESG results, the Company issues new restricted employee shares in accordance with Paragraph 9 of Article 267 of the Company Act and the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers” (referred to as the “Regulations for Offering and Issuance of Securities”) published by the Financial Supervisory Commission (FSC), and has established the Regulations for 2025 Issuance of New Restricted Employee Shares (referred to as these “Regulations”) of the Company.

### **II. Issuance Period**

The Company may issue the shares at once or at discrete times within two years from the date of receipt of the notice of effective registration from the competent authority, if necessary, and the actual date of issuance and related matters shall be determined by the Board of Directors or the Chairman authorized by the Board of Directors.

### **III. Qualifications of employees and the numbers of shares for allotment**

#### **(I) Qualification criteria of employees:**

1. The new restricted employee shares are limited to full-time official employees of the Company prior to the date of allotment.
2. The qualifications of employees who actually have the right to subscribe shall be determined based on the following conditions:
  - (1) Key personnel.
  - (2) Personnel with high relevance and influence on the Company's operation and future strategic development.
  - (3) The evaluation takes into account the seniority, rank, performance evaluation, overall contribution and special achievement, or other conditions that need to be considered in the management.
3. The distribution standards shall be approved by the Chairman and submitted to the Board of Directors for resolution. However, for an employee who is a director or managerial officer of the Company, the approval of the remuneration committee shall be obtained in advance. For an employee who is not a director or managerial officer of the Company, the approval of the audit committee shall be obtained in advance.

#### **(II) Number of shares allocated:**

The cumulative number of shares exercisable through employee stock options granted to a single employee by the Company in accordance with Paragraph 1 of Article 56-1 of the “Regulations for Offering and Issuance of Securities” shall not exceed 0.3% of the total number of issued shares, plus the total number of

new restricted employee shares acquired by the Company, and shall not exceed 1% of the total number of issued shares in accordance with Paragraph 1 of Article 56-1 of the "Regulations for Offering and Issuance of Securities". However, if the central competent authority has provided approval as a special case, the total number of employee stock warrants and new restricted employee shares acquired by a single employee may be exempted from the aforementioned restrictions.

IV. Total amount of issuance

300,000 new restricted employee shares are issued in accordance with these Regulations, with a par value of NT\$10 per share, for a total of NT\$3,000,000.

V. Issuance criteria

(I) Issue price: The present issuance is at no consideration, and the issue price is NT\$0 per share.

(II) Type of shares issued: New common shares of the Company.

(III) Vesting conditions:

1. The indicators set forth in these Regulations shall be complied with, and the employees shall still be employed on each vesting date after being allotted the new restricted employee shares, and shall meet the overall financial performance goals set by the Company, and the personal performance evaluation indicators (i.e. the performance evaluation ratings of at least "85 points/A+" in the most recent year of the vesting period), and shall not violate these Regulations in that year.

2. The vesting conditions are as follows:

(1) Key personnel:

- 20% vested share may be vested for each year after one year of service.
- 20% vested share may be vested for each year after two years of service.
- 20% vested share may be vested for each year after three years of service.
- 20% vested share may be vested for each year after four years of service.
- 20% vested share may be vested for each year after five years of service.

(2) Personnel with high relevance and influence on the Company's operation, future strategic development, or who meet the qualification criteria:

- 30% vested share may be vested for each year after one year of service.
- 30% vested share may be vested for each year after two years of service.
- 40% vested share may be vested for each year after three years of service.

3. After the employee has received the new restricted employee shares allotted by the Company, if there is any violation of the labor contract or work rules, or any violation of these Regulations, the Company shall have the right to recall the new restricted employee shares without consideration and cancel the same.
- (IV) For employees failing to meet the vesting conditions or in case of inheritance, the handling method is as follows:
1. If an employee is not qualified for the vesting conditions set forth in Paragraph (III) of Article 5 of these Regulations, the Company will recall the shares without consideration and write off the same.
  2. Voluntary resignation, discharge, lay-off, retirement, and absence without pay:  
In the event that an employee resigns, is dismissed, is discharged, retired, or is unable to resume his/her duties due to any reason, the new restricted employee shares not vested in him/her shall be forfeited on the date of resignation, and the Company will recall the shares without consideration and write off the same.
  3. Leave without pay:  
For an employee applying for leave without pay is approved by the Company, the Company may recall the new restricted employee shares which have not yet been acquired and write off the same on the effective date of the new restricted employee shares which have not yet been acquired, except for those that have been approved by the Board of Directors. The Board of Directors is authorized to resolve the new restricted employee shares which have not yet been acquired.
  4. Normal death:
    - (1) Any death other than the occupational hazard death described in Subparagraph 5 of Paragraph (IV) of Article 5 of these Regulations shall be regarded as normal death.
    - (2) The new restricted employee shares not yet acquired are deemed to have not qualified the vesting conditions on the date of death, and the Company will recall the shares without consideration and write off the same.
  5. Disabled or deceased due to occupational accident:
    - (1) If an employee is unable to continue his/her duties due to physical disability caused by occupational accident, the new restricted employee shares not yet vested in him/her shall be deemed to have met the vesting conditions on the effective date of resignation of the employee.
    - (2) In case of death due to occupational accident, the new restricted employee shares not yet vested in the employee shall be deemed to have been vested in the employee on the date of death. After the heir has completed the necessary statutory procedures and provided

relevant documents, the heir may apply for the shares or disposed equity for inheritance.

6. Job transfer:

- (1) Employee requesting transfer to an affiliated enterprise: In case of any employee's request for transfer to an affiliated enterprise, the new restricted employee shares not meeting the vesting conditions shall be handled in the same way as employees applying for voluntary resignation.
- (2) Transfer to an affiliated enterprise assigned by the Company: If the vesting conditions are not met, the new restricted employee shares shall still be subject to the vesting conditions of Paragraph III of Article 5 of these Regulations, and the employee shall continue to be serve in the affiliated enterprise assigned by the Company on the vesting date, and the Chairman of the Company shall review the performance evaluation of the employee assigned to the affiliated enterprise in order to determine whether the performance evaluation of the employee has qualified the vesting conditions.

7. If an employee declares in writing that he/she is willing to abandon the new restricted employee shares granted, the Company shall recall the shares without consideration and cancel the same.

VI. Restricted rights after allotment of new shares before qualifying the vesting conditions

- (I) After becoming eligible for the allotment of new shares but before meeting the vesting conditions, except in the case of inheritance, the employee shall not sell, pledge, transfer or give the new restricted employee shares to any others, or create mortgage thereof, or dispose of the same in any other manners.
- (II) After an employee is granted the new shares but before he/she qualifies for the vesting conditions, the rights for attending the shareholders' meeting, submitting proposals, making speeches, voting and election rights shall be the same as those of the common shares issued by the Company, and both are entrusted to a trust custodian institution for execution according to the contract.
- (III) Before the vesting conditions are qualified, other rights vested in the new restricted employee shares allotted to employees in accordance with these Regulations, including but not limited to the right to receive bonuses, dividends, legal reserve and capital reserve, and the right to subscribe for new shares issued by the Company, shall be the same as those related to common shares issued by the Company. Relevant operations shall be executed in accordance with the trust custody contract.
- (IV) From the share transfer registration suspension date and the cash dividend registration suspension date, cash capital increase share subscription registration suspension date, share transfer suspension date of shareholders' meeting specified in Paragraph 3 of Article 165 of the Company Act, or other statutory registration suspension date of occurrence of events of the Company to the rights distribution base date, for employees satisfying the vesting



conditions during such period, the share restriction cancellation time and procedure shall be handled according to the trust custody contract or relevant laws and regulations.

- (V) During the vesting period, if the Company executes a capital reduction by cash or capital reduction to offset losses, etc. except for the reduction required by law, new restricted employee shares shall be canceled proportionally. If the capital reduction is done by cash return, the returned cash shall be kept in trust, and shall be paid to employees after vesting conditions are qualified; if the employee does not qualify the vesting conditions, the Company may recover the cash.

#### VII. Handling for mergers and acquisitions

The rights and obligations of the new restricted employee shares not yet vested in the employees are not affected, or may be changed by the merger or acquisition related contracts or plans.

#### VIII. Other agreements

- (I) After the issuance of new restricted employee shares, the shares shall be submitted for trust custody. Before the vesting conditions are met, employees may not ask the trustee to return the new restricted employee shares for any reason or via any means.
- (II) During the period when the new restricted employee shares are submitted for trust custody, the Company or designated person of the Company shall have the full authority to perform (including but not limited to) trust contract negotiation, signing, amendment, extension, cancellation, termination, and making instructions on trust property delivery, use and disposal on behalf of the employees with the share trust agency and the Company.

#### IX. Contract signing and confidentiality

- (I) Employees who are allotted new restricted employee shares shall complete the “New Restricted Employee Share Receipt Agreement” requested by the handling unit of the Company and shall also complete relevant trust procedures before receiving the new restricted employee share. For any employee failing to complete the signing of relevant documents, he or she shall be deemed to have waived the right to receive the new restricted employee shares.
- (II) Any owner of the new restricted employee shares and the derivative equity under the Regulations shall comply with the Regulations and the “New Restricted Employee Share Receipt Agreement”. Otherwise, he/she shall be deemed failing to qualify the vesting conditions,.in addition, they shall also comply with relevant confidentiality requirements, unless required by law or competent authorities, it is prohibited to inquire about the quantity and details of the new restricted employee shares granted, or share any information related to this case and personal rights and interests to others. In case of any violation, for the new restricted employee shares not yet qualifying the vesting conditions, the Company shall have the right to recover these shares without consideration and cancel the same.

#### X. Taxation

Relevant taxes of the new restricted employee shares granted to employees under these Regulations shall be handled in accordance with applicable tax law at that time.

XI. Other important matters

- (I) The Regulations shall become effective for implementation after being approved by more than two-thirds of the directors present at the Board of Directors' meeting attended by more than one-half of all directors, and shall be reported to the shareholders' meeting for resolution, followed by reporting to the competent authority. The same shall be applied to any amendment thereto before issuance of new restricted employee shares.
- (II) In case where there is a need for amendment due to amendments in laws and regulations or due to competent authority's review request, etc., the Chairman is authorized to amend these Regulations, the issuance of new restricted employee shares may only be made after reporting to the Board of Directors for ratification.
- (III) Any matters not covered by these Regulations shall be handled in accordance with relevant laws and regulations.

# Walrus Pump Co., Ltd. Article of Incorporation (Before Amendment)

## Chapter 1 General Rules

- Article 1 The Company shall be incorporated under the Company Act, and its name shall be WALRUS PUMP CO., LTD.
- Article 2 The business items of the Company are as follows:
- CA01050 Iron and Steel Rolling, Drawing, and Extruding
  - CB01010 Machinery and Equipment Manufacturing
  - CB01990 Other Machinery Manufacturing Not Elsewhere Classified
  - CD01010 Ship and Parts Manufacturing
  - CE01030 Optical Instruments Manufacturing
  - CP01010 Hand Tool Manufacturing
  - F106010 Wholesale of Ironware
  - F113010 Wholesale of Machinery
  - F113990 Wholesale of Other Machinery and Equipment
  - F199990 Other Wholesale Trade
  - F206010 Retail Sale of Hardware
  - F213080 Retail Sale of Machinery and Equipment
  - F213990 Retail Sale of Other Machinery and Equipment
  - F399990 Retail Sale of Other Integrated
  - F401010 International Trade
  - I301030 Electronic Information Supply Services
  - JA02990 Other Repair Services
  - ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 2-1 The reinvestment total amount of the Company, for business needs, may not be restricted by the regulation related to reinvestment total amount specified in Article 13 of the Company Act.
- Article 3 The Company shall be registered in New Taipei City, and when it is determined to be necessary, upon the resolution of the Board of Directors,

branch offices may be established domestically or overseas.

The Company may provide endorsements and guarantees to the external for business needs.

- Article 4      The public announcement of the Company shall be handled in accordance with the Article 28 of the Company Act and other relevant laws and regulations.

## **Chapter 2 Shares**

- Article 5      The Company's total capital is NT\$ 600 million, divided into 60 million shares. The amount per share is NT\$10. The Board of Directors is authorized to issue the unissued shares in discrete times.
- An amount of NT\$ 60 million of the aforementioned total capital is reserved for the issuance of employee stock warrants and new restricted employee shares, for a total of 6 million shares, at a par value of NT\$ 10 per share. The Board of Directors is authorized to issue the shares in discrete times according to the law.
- Article 5-1     The share certificates of the Company shall be in registered form, and shall be affixed with the signatures or personal seals of the director representing the Company, and shall be duly certified or authenticated by the bank which is competent to certify shares under the law before issuance thereof. The Company may be exempted from printing any share certificate, but shall register with a centralized securities depository.
- Article 5-2     Unless otherwise provided by law and securities regulations, after the public offering, the Company's stock affairs shall be handled in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies".
- Article 6      (Deleted).
- Article 7      Shareholders of the Company shall use their own names. If the organization or legal person is a shareholder, the name of the organization or legal person shall be recorded, and no separate account name or representative shall be permitted.
- Article 8      Shareholders shall submit the seal samples to the Company for recordation and preservation. The same shall apply to any changes thereto.
- Shareholders' claim of dividends or exercise of any other rights shall be

- made with their seals identical to the ones preserved by the Company.
- Article 9 When a shareholder plans to transfer his/her shares, he/she shall fill out the transfer share application, and the transferor and the transferee shall be registered with the Company along with the signatures and seals of the transferor and the transferee, and the name change and transfer registration shall be recorded in the shareholders' roster before such transfer may be used vis-à-vis the Company.
- Article 10 In case of loss or damage of shares, the Company shall seek the proper guarantor to fill out the guarantee form and upload the full version of the declaration form to the Company along with the photocopies of the guarantor's announcement and report. The Company shall only re-issue the shares after the Company has verified the accuracy of the declaration.
- Article 11 The provisions of the preceding article shall apply mutatis mutandis to the loss or damage of the shareholder's seal preserved on record.
- Article 12 The entries in the shareholders' roster shall not be altered within thirty days prior to the convening date of an ordinary shareholders' meeting, or within fifteen days prior to the convening date of an extraordinary shareholders' meeting, or within five days prior to the target date fixed by the issuing company for distribution of dividends, bonuses, or other benefits.
- After the public offering of the Company, any change and transfer registration of shareholders roster shall be prohibited within sixty days prior to the ordinary shareholders' meeting, thirty days prior to the extraordinary shareholders' meeting, or five days prior to the record date for the distribution of dividends, bonuses or other interests by the Company.

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

- Article 13 The shareholders' meeting shall be classified into two types of the ordinary shareholders' meeting and extraordinary shareholders' meeting. The ordinary shareholders' meeting shall be convened at least once per year, and shall be convened within six months after the close of each fiscal year. The extraordinary shareholders' meeting shall be convened whenever necessary according to laws.
- Article 14 The procedures for convening a shareholders' meeting and an extraordinary shareholders' meeting of the Company shall be handled in accordance with

Article 172 of the Company Act. The notice shall indicate the reasons for meeting convention, and if it is agreed by the recipient, it may be made via electronic means. For shareholders holding registered shares less than 1,000 shares, the aforementioned convention notice may be made via the announcement method.

Article 14-1 During the convention of a shareholders' meeting, unless the Company Act specifies otherwise, the Chairman shall be the Chair of the meeting.

Article 15 Resolutions in the shareholders' meeting, unless otherwise specified for in the Company Act, shall be adopted by a majority vote in the meeting which is attended by shareholders who represent a majority of the total issued shares.

Article 16 Each shareholder of the Company shall have one voting right for each share in his/her/its possession, except where the shares are considered to have no voting right under circumstances described in Article 179 of the Company Act. However, this is not applicable to shares that are restricted shares or are deemed non-voting shares according to the Company Act or other securities laws. When the Company convenes a shareholders' meeting, shareholders may exercise their voting rights in writing or by way of electronic transmission, and they shall be deemed to have attended the shareholders' meeting in person; however, the shareholders are deemed to have waived their voting rights on any extempore motions or amendments to the original motions at such shareholders' meeting, and their expression of intent shall be handled in accordance with Article 172-2 of the Company Act. After the Company is listed on the Emerging Stock Market and TWSE/TPEX, electronic voting shall be one of the methods for shareholders to exercise their voting rights at a shareholders' meeting. Shareholders may exercise their voting rights in writing or by way of electronic transmission. Shareholders exercising their voting rights by way of electronic transmission shall be deemed to have attended the meeting in person. When voting rights are exercised by way of electronic transmission, the voting right exercise method shall be specified in the shareholders' meeting notice. A shareholders' meeting may be held by virtual conferencing or any other means as announced by the central competent authority. Where a shareholders' meeting is held by virtual conferencing, any shareholder

attending the meeting by virtual conferencing shall be deemed as having attended the meeting in person.

Article 17 Where a shareholder for any reasons cannot attend a shareholders' meeting in person, he or she may appoint a proxy to attend the shareholders' meeting on his/her/its behalf by signing/sealing a power of attorney stating therein the scope of power authorized to the proxy. After the Company's public offering, the shareholders may entrust a proxy to attend the meeting, except for the provisions of Article 172 of the Company Act, and shall comply with the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" announced by the competent authority.

Article 18 The Chair of a shareholders' meeting shall be handled in accordance with the provisions of Article 182-1 and Paragraph 3 of Article 208 of the Company Act.

Article 19 The resolutions of a shareholders' meeting shall be recorded in the meeting minutes on record, which shall be signed or sealed by the Chair, and kept together with the shareholders' attendance book and proxy forms at the Company. The preparation and distribution of the aforementioned meeting minutes shall be handled in accordance with Article 183 of the Company Act.

Article 19-1 After the public offering of the Company, in case where the public offering is to be canceled, in addition to the approval of the Board of Directors, a shareholders' meeting shall be held and attended by shareholders representing two-thirds of the total number of the Company's outstanding shares in person, and shall be executed based on the majority of the voting rights of attending shareholders, in order to execute relevant matters for cancellation of the public offering of the Company. If the total number of shares represented by the attending shareholders is insufficient to meet the quorum described in the preceding paragraph, the meeting may be conducted with the attendance of shareholders representing a majority of the total number of outstanding shares and based on the consents of more than two-thirds of the voting rights of the attending shareholders. This article shall remain unchanged during the Emerging Stock Market and TWSE/TPEX listing periods.

## **Chapter 4     Board of Directors**

- Article 20     The Company shall have five to nine directors, who shall be elected by the shareholders' meeting from among the persons with disposing capacity. The term of office of the directors (including independent directors) shall be three years, and shall be eligible for re-elections.
- Article 20-1     The election of directors (including independent directors) of the Company shall adopt the single name registration cumulative election method, and each share shall have the voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates. The candidates with ballots representing greater number of voting rights shall be elected as the directors.
- Article 20-2     The aforementioned number of directors of the Company described in Paragraph may include no fewer than three independent directors that represent no lesser than one-fifth of all directors. The election of independent directors shall be handled according to Article 192-1 of the Company Act, the candidate nomination system shall be adopted, and the shareholders shall elect independent directors from the independent directors' roster.
- Article 20-3     Relevant matters of the professional qualification, concurrent job position limitation, nomination and election methods, exercise of authorities of the independent director as well as other necessary requirements shall comply with relevant regulations specified by the competent authority in charge of securities.
- Article 20-4     After the Company's public offering, the total shareholding ratio of all directors and supervisors shall be handled in accordance with the relevant regulations of the competent authority in charge of securities.
- Article 20-5     The Company shall establish an audit committee in accordance with Article 14-4 of the Securities and Exchange Act. The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be committee convener, and at least one of whom shall have accounting or financial expertise. The audit committee and its members are responsible for performing the duties of supervisors under applicable laws and regulations.
- Article 20-6     During the term of office of the directors, the Company shall purchase



liability insurances for the directors for their indemnification liabilities within the scope of their official services according the laws.

Article 21

The Board of Directors shall be formed by the directors. With the attendance of more than two-thirds of the directors and the consent of more than half of the directors present, the Chairman shall be elected among the directors.

The Chairman shall act as the chair of shareholders' meeting and the Board of Directors' meeting, shall represent the Company externally, and manage all important affairs of the Company. In the absence of the Chairman, the Chairman shall designate a director to act as the proxy, or the directors shall nominate one among themselves to act as the proxy.

When the number of vacancies of directors reaches one-third of the total number of directors, the Board of Directors shall convene an extraordinary shareholders' meeting according to the law in order to fill the vacancies, and the term of office thereof shall be limited to fulfill the unexposed term of office of the predecessor.

In case where no election of new directors is effected after the expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until the time new directors have been elected and assumed their office.

Article 22

In case the Chairman of the Board is on leave or unable to exercise his/her functional duties for any reason, the person who acts on his/her behalf shall be appointed in accordance with the Article 208 of the Company Act. In case where a director cannot attend a Board of Directors' meeting for some reason, he or she may issue a power of attorney to appoint another director to act as his/her proxy for attending the meeting on his or her behalf according to Article 205 of the Company Act; provided that the proxy shall only accept the appointment of one director only.

The Board of Directors' meeting of the Company may be held in the method of virtual meeting method, and directors attending the meeting through virtual meeting shall be deemed to attend the meeting in person.

Article 22-1

The Board of Directors' meetings of the Company shall be convened at shall least once quarterly. During the convention of a Board of Directors' meeting, notices indicating the reasons of the convention shall be delivered to all directors (including independent directors) seven days in advance; provided

that in case of emergencies, such meeting may be convened at any time. The Board of Directors' convention notices of the Company may be made in writing, facsimile or electronic method.

Article 23 The Board of Directors' meeting shall be convened by the Chairman. Unless otherwise specified by the Company Act, resolutions of a Board of Directors' meeting shall be adopted by a majority of the directors present at the meeting attended by a majority of the directors. If there is an equality of votes, the Chairman shall make the decision on the votes, and meeting minutes shall be prepared.

Article 24 The functions and powers of the Board of Directors are as follows:

- I. Review of the Company's various important rules and regulations.
- II. Decision of the Company's business policy.
- III. Preparation and review of the Company's final accounts.
- IV. Determination of distribution of earnings.
- V. Determination of capital increase or decrease of the Company.
- VI. Other powers granted by the Company Act and the shareholders' meeting.
- VII. Preparation and review of the annual business report.

Article 25 Resolutions of the Board of Directors' meeting shall be recorded in the meeting minutes. They shall be signed or stamped by the Chair of the meeting and distributed to each director within twenty days after the meeting. The meeting minutes shall record the date, time, venue, name of the Chair, resolution method and a summary of the essential points of the proceedings and the result of the discussion. The attendance book bearing the signatures of the directors present at the meeting and the power of attorney of the proxies shall be preserved altogether with the meeting minutes at the Company permanently for the duration of existence of the Company. The meeting minutes may be produced and distributed in electronic form.

Article 26 (Deleted)

Article 27 (Deleted)

Article 28 When the Company's directors (including independent directors) perform the Company's duties, the Board of Directors is authorized to determine the level of participation and contribution to the Company's operations based on

the level of participation and contribution of the directors to the Company's operations along with the consideration of the standards of the domestic and foreign industries.

## **Chapter 5      Managerial Officers**

Article 29      (Deleted)

Article 30      The Company may appoint managerial officers, and the appointment, removal and remuneration thereof shall be governed by Article 29 of the Company Act.

Article 31      (Deleted)

## **Chapter 6      Accounting**

Article 32      At the end of each fiscal year, the Board of Directors shall prepare the following reports and statements, and submit them to the audit committee for review thirty days prior to the date of the general shareholders' meeting, and the audit committee shall also prepare the following reports and statements for submission to the general shareholders' meeting for ratification.

I.      Business Report

II.     Financial Statements

III.    Proposal for distribution of earnings or covering losses.

Article 33:      The industrial development of the Company is currently under the growth stage, and the Company's policy on the distribution of dividends shall be determined based on the factors of the present and future investment environment, fund demand, domestic/overseas competition and capital budget etc. along with the benefits of shareholders, balance of dividends and the long-term planning of the Company. The earnings distribution proposal is to be established by the Board of Directors each year, and the proposal is submitted to the shareholders' meeting. The distribution of earnings may be made in the form of cash dividends and stock dividends depending upon the funding needs and dilution of earnings per share. However, the total dividends distributed from earnings shall not be less than 10% of the distributable earnings for that year, and the cash dividends shall not be less than 20% of the total dividends.

Article 33-1 If the Company makes a profit at the end of a fiscal year, the following shall be appropriated:

- I. 3%-10% of the profit shall be appropriated as the remuneration of employees.
- II. No more than 2% of the profit shall be appropriated as the remuneration of directors/supervisors.

However, if the Company still has accumulated losses, the Company shall first reserve the amount to offset the losses, followed by appropriating amounts according to the ratios described in the preceding paragraph as remunerations of employees and directors/supervisors.

The distribution of remunerations of employees and directors/supervisors shall be approved by a majority of the directors present at a Board of Directors' meeting attended by more than two-thirds of the total number of directors, and shall also be reported to the shareholders' meeting.

The remuneration of employees described in the preceding paragraph may be disbursed in the form of shares or cash, and the recipients of the remuneration of employees may include employees of the subordinate companies satisfying certain criteria. The distribution of remuneration to employees and directors/supervisors shall be handled in accordance with relevant laws and regulations, and shall be resolved by the Board of Directors.

The Company's treasury stock may be transferred to employees, and the payment recipients of employee stock warrants, new restricted employee shares, and new shares of capital increase with cash reserved for employee subscription, may include employees of the Company's controlled or subordinate companies satisfying certain criteria.

Article 34 When the Company has a net income after tax for the final account of a fiscal year, the accumulated loss shall be compensated first, following by appropriating 10% thereof as the legal reserve; however, when the legal reserve has reached the paid-in capital of the Company, such appropriation may be exempted. For the remaining amount, special reserve shall be set aside or reversed according to the law and regulations. Subsequently, if there is still remaining amount, it shall be combined with the accumulated undistributed earnings for the Board of Directors to establish an earnings

distribution proposal, followed by submission to the general shareholders' meeting for resolution on the distribution of shareholders' dividends and bonuses or retention thereof.

Article 35 (Deleted)

## **Chapter 7 Supplemental Provisions**

Article 36 Any matters not covered by these Articles of Incorporation shall be handled in accordance with the Company Act and other relevant laws and regulations.

Article 37 These Articles of Incorporation were duly enacted on March 11, 1978.

The 1st amendment was made on August 30, 1987.

The 2nd amendment was made on February 25, 1988.

The 3rd amendment was made on April 25, 1989.

The 4th amendment was made on March 9, 1992.

The 5th amendment was made on August 6, 1992.

The 6th amendment was made on May 30, 1994.

The 7th amendment was made on July 18, 1994.

The 8th amendment was made on August 9, 1994.

The 9th amendment was made on June 3, 1996.

The 10th amendment was made on June 1, 1998.

The 11th amendment was made on September 28, 1998.

The 12th amendment was made on May 24, 2000.

The 13th amendment was made on May 22, 2001.

The 14th amendment was made on January 23, 2002.

The 14th amendment was made on August 2, 2004.

The 16th amendment was made on November 10, 2006.

The 17th amendment was made on January 10, 2007.

The 18th amendment was made on September 5, 2014.

The 19th amendment was made on September 8, 2015.

The 20th amendment was made on June 30, 2017.

The 21st amendment was made on October 20, 2020.

The 22nd amendment was made on July 23, 2021.

The 23rd amendment was made on June 6, 2022.

The 24th amendment was made on May 19, 2023.

The 25th amendment was made on August 30, 2023.

The 26th amendment was made on February 21, 2024.

The 27th amendment was made on June 3, 2024.

WALRUS PUMP Co., Ltd.

Chairman: Raymond Huang

# **WALRUS PUMP Co., Ltd.**

## **Procedures for Acquisition or Disposal of Assets (Before Amendment)**

### **Chapter 1 General Rules**

#### **Article 1 Legal Basis**

These Procedures are established in accordance with Article 36-1 of the “Securities and Exchange Act” and the Regulations Governing the Acquisition and Disposal of Assets by Public Companies (hereinafter referred to as the “Regulations”). Any matters not covered by these Procedures shall be handled in accordance with relevant laws and regulations.

#### **Article 2 Scope**

The applicable scope of the assets referred to in these Procedures is as follows:

- I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call/put warrants, beneficial interest securities, and asset-backed securities.
- II. Real property (including land, houses and buildings, investment property) and equipment.
- III. Memberships.
- IV. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- V. Right-of-use assets.
- VI. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- VII. Derivatives.
- VIII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
- IX. Other major assets.

The Company's subsidiaries shall comply with these Procedures during acquisition or disposal of assets. However, this is not applicable when a subsidiary has established its Procedures for Acquisition and Disposal of Assets according to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

#### **Article 3 Definition of Terms**

- I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit

index, or other variables or other interest instruments, etc.; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

- II. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, the Financial Holding Company Act, the Financial Institution Merger Act and other laws, or shares transferred from another company through issuance of the Bank’s new shares as the consideration therefor (referred to as “transfer of shares”) under Article 156-3 of the Company Act.
- III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- VII. Securities exchange: “Domestic securities exchange” refers to the Taiwan Stock Exchange Corporation; “foreign securities exchange” refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
- VIII. Over-the-counter venue (“OTC venue”, “OTC”): “Domestic OTC venue” refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; “foreign OTC venue” refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

Article 4      Related regulations governing the provision of appraisal reports and



opinions

Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

- I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
- II. May not be a related party or de facto related party of any party to the transaction.
- III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-disciplinary rules of its own industrial association and the following:

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. When executing a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- III. They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations.

Article 5      Evidentiary documentation issued the court substituted for the appraisal report or CPA opinion

Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may replace an appraisal report or CPA opinion.

Article 6      Limit of the investment in non-operating real estate and securities by the Company and its subsidiaries

The total amount of real estate and right-of-use assets thereof, total amount of securities, and limits on individual securities acquired by the Company and its subsidiaries for non-business use are as follows:

- I.      The total amount of real estate and right-of-use assets thereof not for business use acquired by the Company and its subsidiaries shall not exceed 40% of the net worth of the company acquiring the asset indicated in the most recent financial statements.
- II.     The total amount of securities invested by the Company and its subsidiaries shall not exceed 40% of the net worth of the company acquiring the asset indicated in the most recent financial statements.
- III.    The amount of securities invested by the Company and its subsidiaries individually shall not exceed 20% of the net worth of the company acquiring the asset indicated in the most recent financial statements.

## **Chapter 2      Acquisition or Disposal of Real Property, Equipment or Right-of-use Assets**

Article 7      Procedures for acquisition or disposal of real property, equipment or right-of-use assets thereof

- I.      Evaluation procedure
  - (I)     Price determination method  
The procurement-related unit is responsible for the price inquiry, price comparison and negotiation, and then shall prepare an analysis report and submits it to the relevant responsible supervisors for approval.
  - (II)    Reference basis  
The reference shall be made to the announced present value, the assessed present value, the actual transaction price of the neighboring property, and the appraisal report issued in accordance with Paragraph 3 of this article.
- II.     Operating procedures
  - (I)     Authorization level  
Procedure shall be handled according to the internal approval authority.
  - (II)    Executing unit  
The executing unit of the Company for property, equipment or right-of-use assets refers to the user and related responsible units.
  - (III)   Transaction process
    1.      For the acquisition of assets, the executing unit shall conduct feasibility assessment, in order to proceed with the implementation and control according to the content of the

plan.

2. For the disposal of assets, the user shall fill out the application form or submit as a project for approval. The reasons for the disposal and the method of disposal shall be explained, and disposal of assets shall be executed only after approval is obtained.

### III. Appraisal report

In acquiring or disposing of real property, equipment or right-of-use assets thereof, where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions.

- (I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant ("CPA") shall render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
  2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- (IV) No more than three months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than six

months have elapsed, an opinion may still be issued by the original professional appraiser.

- (V) The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Paragraph 2 of Article 24.

### **Chapter 3 Acquisition or Disposal of Securities**

#### **Article 8 Procedures for acquisition or disposal of securities**

##### **I. Evaluation procedure**

###### **(I) Price determination method**

1. For the acquisition or disposal of securities traded at the centralized securities exchange market or OTC, it shall be determined based on the equity or bond price at that time.
2. For the acquisition or disposal of securities not traded at the securities exchange or over-the-counter market, the net value per share, profitability, future development potential, market interest rate, bond interest rate and debtor's credit shall be considered, and decisions shall be made with the consideration of the opinions of the securities experts and the transaction price at that time.

###### **(II) Reference basis**

For the acquisition or disposal of securities of the Company, it is necessary to obtain the financial statements of the most recent period of the subject company certified or audited by CPA before the transaction occurrence date as the reference for evaluating the transaction price, and the experts' opinions described in Paragraph 3 of this article shall be considered.

##### **II. Operating procedures**

###### **(I) Authorization level**

Procedure shall be handled according to the internal approval authority.

###### **(II) Executing unit**

The financial unit is responsible for the execution.

###### **(III) Transaction process**

An assessment team is established by the executing unit in order to proceed further after feasibility assessment is completed.

- (IV) The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Paragraph 2 of Article 24.

##### **III. Expert opinions**

Where the Company acquires or disposes of securities and the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, the Company shall engage a certified public

accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the FSC.

#### **Chapter 4 Acquisition or Disposal of Memberships, Intangible Assets, or Right-of-use Assets**

Article 9 Procedures for acquisition or disposal of memberships, intangible assets or right-of-use assets

- I. Evaluation procedure
  - (I) Price determination method  
After the executing unit has prepared an analysis report, it shall be submitted to the responsible supervisor for approval.
  - (II) Reference basis
    1. The memberships shall be based on the market price.
    2. For the intangible assets, expert opinions described in Paragraph 3 of this article shall be considered.
- II. Operating procedures
  - (I) Authorization level  
Procedure shall be handled according to the internal approval authority.
  - (II) Executing unit.  
The user and the related responsible unit are responsible for the implementation.
  - (III) Transaction process  
An assessment team is established by the executing unit in order to proceed further after feasibility assessment is completed.
  - (IV) The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Paragraph 2 of Article 24.
- III. Expert opinions  
When the transaction amount of acquisition or disposal of memberships, intangible assets or right-of-use assets thereof reaches 20% or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.

#### **Chapter 5 Related Party Transactions**

Article 10 Procedures for transactions with related parties

- I. When the Company engages in any acquisition or disposal of assets

from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised according to the provisions of Article 7 to this article of these Procedures, if the transaction amount reaches 10% or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion according to regulations. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Paragraph 3 of this article. In addition, to judge whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

II. When the Company intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following documents have been submitted to the Board of Directors with approved and approved by the supervisors (when audit committee is established after the public offering of the Company, the approval of the audit committee shall be obtained, followed by approval of the Board of Directors):

- (I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (II) The reason for choosing the related party as a transaction counterparty.
- (III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 11 and Article 12.
- (IV) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
- (V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (VI) An appraisal report from a professional appraiser or a CPA's

opinion obtained in compliance with the preceding article.

(VII) Restrictive covenants and other important stipulations associated with the transaction.

- III. The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Paragraph 2 of Article 24, and the term “within the preceding year” described refers to the year preceding the date of occurrence of the current transaction. Items that have been submitted and approved by the supervisors according to these Procedures, or to the audit committee when the supervisors are substituted by the audit committee established after public offering of the Company, and the Board of Directors, need not be counted toward the transaction amount.
- IV. With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries or between subsidiaries in which the Company directly or indirectly holds 100% of the issued shares or authorized capital, the Board of Directors may authorize the Chairman, according to Subparagraph 1 of Paragraph 2 of Article 7, to decide such matters when the transaction is within the following amount and have the decisions subsequently submitted to and ratified by the next Board of Directors' meeting:
  - (I) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
  - (II) Acquisition or disposal of real property right-of-use assets held for business use.

Where the position of independent director has been established by the Company according to the Regulations, when a matter is submitted for discussion by the Board of Directors pursuant to Paragraph 1, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors' meeting.

If an audit committee has been established in accordance with the provisions of these Regulations, the matters to be approved by the supervisors as stated in Paragraph 1 shall be approved by more than half of the members of the audit committee and submitted to the Board of Directors for resolution. The provisions of Paragraph 4 and Paragraph 5 of Article 6 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” shall apply mutatis mutandis.

If a public company or a subsidiary thereof that is not a domestic public company will have a transaction set out in Paragraph 1 and the transaction amount will reach 10% or more of the public company's total assets, the public company shall submit the materials in all the subparagraphs of Paragraph 1 to the shareholders' meeting for

approval before the transaction contract may be entered into and any payment made. However, such restriction shall not be applicable to transactions between the public company and the parent or subsidiaries, or between subsidiaries.

Article 11 Reasonableness assessment of transaction cost of acquisition or disposal of real estate or right-of-use assets thereof from related parties

- I. The Company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:
  - (I) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
  - (II) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided that the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.
- II. Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.
- III. The Company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the Paragraph 1 and Paragraph 2 of this article shall also engage a CPA to check the appraisal and render a specific opinion.
- IV. Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 10, and the preceding three paragraphs do not apply:
  - (I) The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
  - (II) More than five years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
  - (III) The real property is acquired through signing of a joint



development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

- (IV) The real property right-of-use assets for business use are acquired by the Company with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.

Article 12 If the appraisal price of the real estate or its right-of-use assets acquired from a related party is lower than the transaction price, evidence indicating the reasonableness of the transaction price shall be provided.

- I. If the appraisal result of the Company in accordance with Paragraph 1 and Paragraph 2 of the preceding article is lower than the transaction price, it shall be handled according to Article 13. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

- (I) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:

- 1. Where undeveloped land is appraised in accordance with the means in the preceding article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
- 2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.

- (II) Where the Company acquiring real property or obtaining real property right-of-use assets through leasing from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding 1 year.

- II. Completed transactions involving neighboring or closely valued

parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

Article 13 Handling of acquisition of real estate or its right-of-use assets from a related party at a price lower than the appraised price

- I. Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with Article 11 and Article 12 are uniformly lower than the transaction price, the following steps shall be taken:
  - (I) The Company shall set aside a special reserve in accordance with Paragraph 1 of Article 41 of the Act against the difference between the real property or right-of-use assets thereof transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Paragraph 1 of Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
  - (II) The audit committee shall comply with Article 218 of the Company Act and related procedures.
  - (III) Actions taken pursuant to Subparagraph 1 and Subparagraph 2 of this paragraph shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
- II. The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss from decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.
- III. When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition is not an arm's length transaction.

## **Chapter 6 Operating Procedures for Derivatives Transactions**

### **Article 14 Transaction principles and guidelines for derivatives**

#### **I. Transaction type**

The types and scope of derivatives that the Company may engage in are defined in accordance with the items of Paragraph 1 of Article 3.

#### **II. Management (hedging) strategy**

The Company engaging in financial derivatives trading shall be for the purpose of hedging, and the trading commodities shall be selected and used mainly for hedging risks arising from the business operation of the Company. The currency held shall match with the foreign currency required for the actual import and export transactions of the Company and based on the principle of offset of the entire internal position (refers to foreign currency income and expenditure) of the Company, thereby reducing the overall foreign exchange risk of the Company and saving foreign exchange operational cost. Any other trades of specific purposes shall be carefully evaluated and reported to the Board of Directors for approval before proceeding.

#### **III. Delegation of responsibilities:**

The trading personnel are responsible for placing orders with the counterparties; the confirmation personnel are responsible for confirmation of the order placement of the traders; the settlement personnel are responsible for handling settlement matters due.

The financing unit shall be responsible for the transaction and settlement of derivatives. The accounting unit shall be responsible for the confirmation of derivatives transactions. The aforementioned functions shall ensure that the transaction, confirmation and settlement procedures are not executed by the same person. If there is any conflict of function, the President will appoint appropriate personnel to handle such conflict.

#### **IV. Limit of total trading contract amounts**

The total amount of derivative contracts shall not exceed 10% of the total assets of the Company, and the amount of each trade shall not exceed 5% of the total paid-in capital of the Company.

#### **V. Loss Upper Limit**

The upper limit of the total and individual contract loss is specified in the following:

##### **(I) Hedging trades:**

Trades shall be conducted by trading personnel within the authorized limit, and the stop-loss point shall not exceed 5% of the trading contract amount.

##### **(II) Trades of specific purposes:**

Trades shall be conducted by trading personnel within the authorized limit, and the stop-loss point shall not exceed 5% of the trading contract amount.

- VI. Performance evaluation guideline
  - (I) Gain/loss targets shall be specified according to the derivatives positions, which shall be reviewed periodically.
  - (II) The evaluation of performance shall be made to compare the evaluation criteria that are set in advance on the evaluation date, in order to use it as the reference for future decision-making.
- VII. Authorization limit and level:  
 Procedure shall be handled according to the internal approval authority.

- Article 15 Risk management measures required for derivative trading
- When the Company engages in derivatives trading, the Company shall adopt the following risk management measures:
- I. The scope of risk management shall include credit, market price, liquidity, cash flow, operations, and legal risks.
  - II. Personnel engaging in derivatives trading shall not concurrently act as the operators for the confirmation and delivery of transactions.
  - III. Risk measurement, supervision and control personnel shall be from departments different from the personnel described in the preceding paragraph, and shall report to the Board of Directors or senior supervisor responsible for the position decision making.
  - IV. The positions held for the derivatives trading shall be assessed at least once weekly. However, for hedge trading performed due to business needs, such trades shall be assessed at least twice monthly, and the assessment report shall be submitted to the President.
  - V. Other important risk management measures.

- Article 16 Supervision management principles for Board of Directors for derivative trading engaged by the Company
- When the Company engages in derivatives trading, the Board of Directors shall execute the supervision management according to the following principles:
- I. Designated senior supervisor shall be aware of the supervision and control of derivatives trading risk.
  - II. Periodically assess whether the performance of the derivatives trading complies with the predefined management strategies and whether the risk borne is within the acceptable range of the Company.
- Senior management personnel authorized by the Board of Directors shall manage the derivatives transactions according to the following principles:
- I. Periodically assess whether the risk management measures currently adopted are appropriate and properly handle matters according to the procedures for handling derivatives trading stipulated by the Company.
  - II. Supervise transactions and profit or loss condition. In case of discovery of any abnormality, necessary responsive measures shall be adopted, and shall report to the Board of Directors immediately. The Board of Directors' meeting shall be attended by the independent

directors and opinions shall be provided.

When the Company engages in derivative transaction, where relevant personnel are authorized according to these Procedures, it is necessary to report to the most recent Board of Directors' meeting after such transaction.

**Article 17** Establishment of record book for derivative trading

The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and the matters required to be carefully evaluated under Subparagraph 4 of Article 15, Subparagraph 2 of Paragraph 1 and Subparagraph 1 of Paragraph 2 of Article 16, shall be recorded in detail in the log book.

The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the audit committee shall be notified in writing.

**Chapter 7 Operating Procedures for Merger, Demerger, Acquisition or Transfer of Shares**

**Article 18** Procedures for merger, demerger, acquisition or transfer of shares

I. Assessment of merger, demerger, acquisition or transfer of shares

(I) Price determination method

To conduct merger, demerger, acquisition or transfer of shares, the Company is recommended to appoint attorney, CPA and securities underwriter to jointly establish the statutory procedure and predefined schedule, and organize project team to execute according to the statutory procedure. In addition, prior to convening a Board of Directors' meeting to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to provide opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for discussion and approval.

However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of the public company's merger of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.

(II) Reference basis

Expert opinions described in the preceding paragraph.

- II. Procedures for merger, demerger, acquisition or transfer of shares
- (I) Authorization level
1. The Company shall submit the aforementioned report to the Board of Directors for discussion and approval according to the provision of the preceding paragraph.
  2. When the Company participates in a merger, demerger, acquisition, or transfer of shares, it shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and include it along with the expert opinion referred to in the preceding paragraph when sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, demerger, or acquisition; where a provision of another act exempts a company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.
  3. When the Company participates in a merger, demerger, acquisition, or transfer of shares, if the shareholders' meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders' meeting, the Company shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders' meeting.
- (II) Executing unit
- Relevant units of the Company shall execute the same in accordance with the statutory procedures.
- (III) Procedures for Convening Shareholders' Meetings and Board of Directors' Meetings
1. When the Company participates in a merger, demerger or acquisition, it shall convene a Board of Directors' meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.
  2. When the Company participates in a transfer of shares, it shall call a Board of Directors' meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.
  3. When participating in a merger, demerger, acquisition, or

transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for five years for reference:

- (1) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
- (2) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors' meeting.
- (3) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors' meetings.
- (4) When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within two days counting inclusively from the date of passage of a resolution by the Board of Directors, report, via the prescribed format and via the Internet-based information system, the information set out in Subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.
- (5) Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of this article.

Article 19      Written non-disclosure agreement

All personnel of the Company participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written agreement of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any

company related to the plan for merger, demerger, acquisition, or transfer of shares.

Article 20 The percentage of share exchange or acquisition price shall not be changed arbitrarily

Unless the law specifies otherwise, the Company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

- I. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
- II. An action, such as a disposal of major assets, that affects the company's financial operations.
- III. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
- IV. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
- V. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- VI. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

Article 21 Content required to be specified in contracts for merger, division, acquisition or transfer of shares

The contract for participation by the Company in a merger, demerger, acquisition, or transfer of shares shall record the rights and obligations of the Company, and shall also record the following:

- I. Handling of breach of contract.
- II. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
- III. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
- IV. The manner of handling changes in the number of participating entities or companies.
- V. Preliminary progress schedule for plan execution, and anticipated completion date.
- VI. Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion, and relevant procedures.



Article 22 Merger, division, acquisition or share transfer with other companies after public disclosure of information on merger, division, acquisition or share transfer

When the Company participates in merger, demerger, acquisition or transfer of shares with other companies, after public disclosure of the information, if any one of the companies participating in the merger, demerger, acquisition, or share transfer intends to further carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and the shareholders' meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, the Company may be exempted from calling another shareholders' meeting to resolve on the matter anew.

Article 23 Merger, demerger, acquisition or transfer of shares participated by non-public company

Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Subparagraph 3 of Paragraph 2 of Article 18, Article 19 and Article 22.

## **Chapter 8 Public Disclosure of Information**

Article 24 Procedures for public announcement and report

I. Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within two days counting inclusively from the date of occurrence of the event:

- (I) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or its right-of-use assets from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- (II) Merger, demerger, acquisition, or transfer of shares.
- (III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.

- (IV) Where the type of asset referring to equipment or right-of-use assets thereof for business use is acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:
  - 1. For a public company with paid-in capital less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
  - 2. For a public company with paid-in capital reaching NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
- (V) Acquisition or disposal by a public company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; among such cases, if the public company has paid-in capital of NT\$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.
- (VI) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.
- (VII) Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the Mainland China area reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
  - 1. Trading of domestic government bonds or foreign government bonds of credit rating not inferior to the authority rating of or nation.
  - 2. Where done by professional investors-securities trading on securities exchanges or over-the-counter markets, or subscription of foreign government bonds or ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or redemption of index

investment securities, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.

3. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- II. The amount of transactions described in the preceding paragraph shall be calculated as follows:
  - (I) The amount of any individual transaction.
  - (II) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
  - (III) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
  - (IV) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
- III. The “within the preceding year” described in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. The portion duly announced according to these Procedures need not be counted toward the transaction amount.
- IV. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding three paragraphs, a public report of relevant information shall be made on the information reporting website designated by the FSC within two days from the date of occurrence of the event:
  - (I) Change, termination, or rescission of a contract signed in regard to the original transaction.
  - (II) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
  - (III) Change to the originally publicly announced and reported information.
- V. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

Article 25      Announcement and reporting of subsidiaries

- I. Where a subsidiary of the Company is not a domestic public company, when its acquisition or disposal of assets reaches the announcement and report standards under these Procedures or Chapter 3 of these Regulations, the Company shall handle the public announcement and report on the behalf of such subsidiary.
- II. The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary described in the preceding paragraph in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing under Paragraph 1 of Article 24 of these Procedures.

**Article 26**      **Correction of public disclosure of information**

When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.

**Article 27**      **Preservation of documents**

The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for five years except where another act provides otherwise.

**Chapter 9      Control Procedures for the Acquisition or Disposal of Assets by Subsidiaries**

**Article 28**      **Control procedures for the acquisition or disposal of assets by subsidiaries**

- I. The Company's control procedures for the acquisition or disposal of assets by subsidiaries are based on the "Procedures for Supervision and Management of Subsidiaries" of the Company.
- II. The Company shall request its subsidiaries to establish and implement the "Procedure for the Acquisition or Disposal of Assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".

**Chapter 10      Penalties**

**Article 29**      **Penalties**

In case where a managerial officer or main case handler of the Company violates the Regulations or these Procedures, punishment shall be imposed in accordance with relevant personnel management regulations and performance evaluation of the Company depending upon the severity of the violation.

**Chapter 11      Supplementary Provisions**

**Article 30**      **Requirements for total assets and paid-in capital**

- I. For requirements related to the calculation of 10% of total assets

described in these Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” shall be used.

- II. In the case of a company whose shares have no par value or a par value other than NT\$10, then regarding the calculation of transaction amounts of 20% of paid-in capital specified in these Procedures, 10% of equity attributable to owners of the parent shall be substituted; regarding the for calculations of transaction amounts relative to paid-in capital reaching NT\$10 billion specified in these Procedures, NT\$20 billion of equity attributable to owners of the parent shall be substituted.

Article 31 Implementation, revision and amendment records

- I. These Procedures, and any amendments hereto, shall be approved by the Board of Directors, and shall be reported to a shareholders' meeting for approval before implementation. The same shall be applied to amendments to these Procedures.
- II. Amendment History

Version	Page of Amendment	Content	Amendment	Effective Date
1.0	1-19	Original Version.	Audit Office	2022/06/06 (Shareholders' Meeting)

# **WALRUS PUMP Co., Ltd.** **Corporate Governance Best Practice Principles** **(Before Amendment)**

## Chapter 1    General Rules

Article 1    To establish a sound corporate governance system and structure, these Principles are established in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” for compliance.

Article 2    When setting up the corporate governance system, in addition to complying with relevant laws, regulations, articles of incorporation, contracts signed with the TWSE or TPEX, and other relevant regulations, the Company shall follow the following principles:

- I.    Protect the rights and interests of shareholders.
- II.   Strengthen the powers of the Board of Directors.
- III.   Fulfill the function of the audit committee.
- IV.   Respect the rights and interests of stakeholders.
- V.   Enhance information transparency.

Article 3    (Establishment of internal control system)

The Company shall follow the Criteria Governing Establishment of Internal Control Systems by Public Reporting Companies and take into consideration the overall operational activities of itself and its subsidiaries to design and fully implement an internal control system, and shall conduct continual reviews of the system, in order to ensure the continued effectiveness of its design and implementation in light of changes in the Company's internal and external environment.

The Company shall perform full self-inspection operation of its internal control system. Its Board of Directors and management shall review the results of the self-assessments by each department at least annually and shall also review the audit reports of the audit department quarterly. The audit committee shall also attend to and supervise these matters. Directors shall periodically hold discussions with their internal auditors about reviews of internal control system deficiencies. A record of the discussions shall be kept, and the discussions shall be followed up, improvements implemented, and a report submitted to the Board of Directors. The Company is advised

to establish communication channels and mechanisms among independent directors, the audit committee and the chief internal auditor, and the convener of the audit committee shall report to the shareholders' meeting on the communication between the members of the audit committee and the chief internal auditor.

The management of the Company shall pay special attention to the internal audit department and its personnel, fully empower them and urge them to conduct audits effectively, to evaluate problems of the internal control system and assess the efficiency of its operations to ensure that the system can operate effectively on an on-going basis, and to assist the Board of Directors and the management to perform their duties effectively so as to ensure a sound corporate governance system.

Appointment, dismissal, evaluation and review, salary and compensation of internal auditors of the Company shall be reported to the Board of Directors or shall be submitted by the chief auditor to the Chairman for approval.

Article 3-1 (Personnel Responsible for the Corporate Governance Related Affairs)

The Company is advised to have an adequate number of corporate governance personnel with appropriate qualifications based on the size of the Company, business situations and management needs, and shall appoint in accordance with the requirements of the competent authorities, TWSE or TPEx a chief corporate governance officer as the most senior officer to be in charge of corporate governance affairs. Said officer shall be a qualified, practice-eligible lawyer or accountant or have been in a managerial position for at least three years in a securities, financial, or futures related institution or a public company in handling legal affairs, legal compliance, internal audit, financial affairs, stock affairs, or corporate governance affairs.

It is required that the corporate governance affairs mentioned in the preceding paragraph include at least the following items:

- I. Handling matters relating to Board meetings and shareholders' meetings according to laws.
- II. Producing minutes of Board meetings and shareholders' meetings.
- III. Assisting in onboarding and continuous development of directors.
- IV. Furnishing information required for business execution by directors.

- V. Assisting directors with legal compliance.
- VI. Reporting to the Board of Directors the review result on the qualifications of the independent directors for the nomination, election and whether relevant laws and regulations have been complied with during the term of office.
- VII. Handling matters related to the change of directors.
- VIII. Other matters set out in the articles of incorporation or contracts.

## Chapter 2 Protection of Shareholders' Rights and Interests

### Section 1 Encouraging Shareholders to Participate in Corporate Governance

#### Article 4 (Protection of Shareholders' Rights and Interests)

The corporate governance system of the Company shall be designed to protect shareholders' rights and interests and treat all shareholders equitably.

The Company shall establish a system of corporate governance that ensures shareholders' rights such as being fully informed, participating in, and making decisions over important matters of the Company.

#### Article 5 The Company shall convene shareholders' meetings in accordance with the provisions of the Company Act and related acts and regulations, and formulate comprehensive rules of procedure. The rules of procedure shall be strictly implemented for matters requiring a resolution of the shareholders' meeting.

Resolutions adopted by a shareholders' meeting of the Company shall conform with acts and regulations and the Company's articles of incorporation.

#### Article 6 (Board of Directors of the Company shall properly arrange shareholders' meeting proposal and procedure)

The Board of Directors of the Company shall properly arrange the agenda items and procedures for shareholders' meetings, and formulate the principles and procedures for shareholder nominations of directors and supervisors and submissions of shareholder proposals. The Board shall also properly handle the proposals duly submitted by shareholders. Arrangements shall be made to hold shareholders' meetings at a convenient location and shall support the virtual communication meeting method, with sufficient time allowed and sufficient numbers of suitable



personnel assigned to handle attendance registrations. No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend. Shareholders shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.

For a shareholders' meeting called by the Board of Directors, it is advisable that the Chairman shall chair the meeting, that a majority of the directors (including at least one independent director) and convener of the audit committee (or at least one independent director), attend in person, and that at least one member of other functional committees attend as representative. Attendance details shall be recorded in the shareholders' meeting minutes.

Article 7 (The Company shall encourage shareholders to participate in corporate governance)

The Company shall encourage its shareholders to actively participate in corporate governance. It is advisable that the company engage a professional shareholder services agent to handle shareholders' meeting matters, so that shareholders' meetings can proceed on a legal, effective and secure basis. The Company shall deploy various ways and means, including fully exploiting technologies for information disclosure, to upload annual reports, annual financial statements, notices, agendas and supplementary information of shareholders' meetings in both Chinese and English concurrently, and shall adopt electronic voting, in order to enhance shareholders' attendance rates at shareholders' meetings and ensure their exercise of rights at such meetings in accordance with laws.

The Company is advised to avoid raising extraordinary motions and amendments to original proposals at a shareholders' meeting.

The Company is advised to arrange for their shareholders to vote on each separate proposal in the shareholders' meeting agenda, and following conclusion of the meeting, to enter the voting results the same day, namely the numbers of votes cast for and against and the number of abstentions, on the Market Observation Post System (MOPS).

Article 8 The Company shall keep minutes of shareholders' meetings in accordance with the Company Act and related acts and regulations, in which it shall

record the year, month, and date of the meeting, its location, the Chairperson's name, and the method of resolution. The minutes shall also record a summary of the deliberations and the results. With respect to the election of directors, the meeting minutes shall record the method of voting adopted therefore and the total number of votes for the elected directors.

The shareholders' meeting minutes shall be properly and perpetually kept by the Company during its legal existence, and shall be sufficiently disclosed on the Company's website.

Article 9 The Chair of the shareholders' meetings shall be fully familiar and comply with the rules governing the proceedings of the shareholders' meetings established by the Company. The Chair shall ensure the proper progress of the proceedings of the meetings and may not adjourn the meetings at will. In order to protect the interests of most shareholders, if the Chair declares the adjournment of the meeting in a manner in violation of rules governing the proceedings of the shareholders' meetings, it is advisable for the members of the Board of Directors other than the Chair of the shareholders' meeting to promptly assist the attending shareholders at the shareholders' meeting in electing a new Chair of the shareholders' meeting to continue the proceedings of the meeting, by a resolution to be adopted by a majority of the votes represented by the shareholders attending the said meeting in accordance with the legal procedures.

Article 10 (The Company shall value shareholders' right to know and prevent insider trading)

The Company shall place high importance on the shareholders' right to know, and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders with regular and timely information on Company financial conditions and operations, insider shareholdings, and corporate governance status through the MOPS or the website established by the Company.

To treat all shareholders equally, it is advisable that the Company concurrently disclose the information under the preceding paragraph in English.

To protect its shareholders' rights and interests and ensure their equal treatment, the Company shall adopt internal rules prohibiting the

Company's insiders from trading securities using information not disclosed to the market.

It is advisable that the rules mentioned in the preceding paragraph include stock trading control measures from the date insiders of the Company become aware of the contents of the company's financial reports or relevant results, including (but not limited to) directors shall not trade stocks during the closed period of thirty days before the announcement of annual financial report and fifteen days before the announcement of quarterly financial reports.

Article 10-1 (Remuneration of directors reported in shareholders' meeting)

The Company is advisable to report the remuneration collected by directors in a shareholders' meeting, including the remuneration policy, individual remuneration content, amount and correlation with the performance evaluation result.

Article 11 Shareholders shall be entitled to profit distributions by the Company. To ensure the investment interests of shareholders, the shareholders' meeting may, pursuant to Article 184 of the Company Act, examine the statements and books prepared and submitted by the Board of Directors and the reports submitted by the audit committee, and may decide profit distributions and deficit off-setting plans by resolution. During the aforementioned examination, the shareholders' meeting may appoint an inspector.

The shareholders may, pursuant to Article 245 of the Company Act, apply with the court to select an inspector in examining the accounting records and assets, specific matters, specific transaction documents and records of the Company.

The Board of Directors, audit committee or supervisors, and managers of the Company shall fully cooperate in the examination conducted by the inspectors in the aforesaid two paragraphs without any circumvention, obstruction or rejection.

Article 12 In entering into material financial and business transactions such as acquisition or disposal of assets, lending funds, and making endorsements or providing guarantees, the Company shall proceed in accordance with the applicable laws and regulations and establish operating procedures in

relation to these material financial and business transactions which shall be reported to and approved by the shareholders' meeting so as to protect the interests of the shareholders.

When the Company is involved in a merger, acquisition or public tender offer, in addition to proceeding in accordance with the applicable laws and/or regulations, it shall not only pay attention to the fairness, rationality, etc. of the plan and transaction of the merger, acquisition or public tender offer, but information disclosure and the soundness of the Company's financial structure thereafter.

The management or major shareholders of the Company participating in the merger and acquisition shall review whether the audit committee members of the merger and acquisition described in the preceding paragraph comply with the provision of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies are reviewed, and they shall not be a related party or having interest relationship with the merger and acquisition transaction counterparty such that the independence, design and execution of relevant procedures are affected, and whether the execution complies with relevant laws as well as whether sufficient disclosure has been made according to relevant laws. In addition, an attorney with independence shall issue a legal opinion.

The qualification of the attorney described in the preceding paragraph shall comply with the provision of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and he/she shall not be a related party of the merger and acquisition transaction counterparty, or having interest relationship that may affect the independence.

The relevant personnel of the Company handling merger and acquisition or public tender offer shall pay attention to any conflicts of interest and recusal requirements.

Article 13 To protect the rights and interests of shareholders, it is advisable for the Company to have staff that will be exclusively responsible for handling shareholder suggestions, questions, or disputes.

The Company shall properly deal with any legal action duly instituted by

shareholders in which it is claimed that shareholder rights and interests were damaged by a resolution adopted at a shareholders' meeting or a Board of Directors' meeting in violation of applicable laws, regulations, or the Company's articles of incorporation, or that such damage was caused by a breach of applicable laws, regulations or the Company's Articles of Incorporation by any directors or managers in performing their duties.

It is advisable for the Company to adopt internal procedures for appropriate handling of matters referred to in the preceding two paragraphs, and keep relevant written records for future reference and incorporate the procedures into its internal control system for management purposes.

## Section 2 Establishment of Mechanism for Interaction with Shareholders

Article 13-1 (The Board of Directors is responsible for establishing a mechanism for interaction with shareholders)

The Board of Directors of the Company is responsible for establishing a mechanism for interaction with shareholders to enhance mutual understanding of the development of Company's objectives.

Article 13-2 (Efficient communication with shareholders to gain their support)

In addition to communicating with shareholders through shareholders' meetings and encouraging shareholders to participate in such meetings, the Board of Directors of the Company together with the managerial officers and independent directors shall engage with shareholders in an efficient manner to ascertain shareholders' views and concerns, and expound company policies explicitly, in order to gain shareholders' support.

## Section 3 Corporate Governance Relationships Between the Company and Related Parties

Article 14 The Company shall clearly identify the objectives and the division of authority and responsibility between it and its affiliated enterprises with respect to management of personnel, assets, and financial matters, and shall properly carry out risk assessments and establish appropriate firewalls.

Article 15 Unless otherwise provided by the laws and regulations, a managerial officer of the Company shall not serve as a managerial officer of its affiliated enterprises.

A director who engages in any transaction for himself or on behalf of

another person that is within the scope of the Company's operations shall explain the major content of such actions to the shareholders' meeting and obtain its consent.

Article 16 The Company shall establish sound objectives and systems for management of finance, operations, and accounting in accordance with applicable laws and regulations. It shall further, together with its affiliated enterprises, properly conduct an overall risk assessment of major banks they deal with and customers and suppliers, and implement the necessary control mechanisms to reduce credit risk.

Article 17 When the Company and its related parties and shareholders enter into business dealings or transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness. Price and payment terms shall be clearly defined when contracts are signed, and non-arm's length transactions and improper benefits shall be prohibited. The content of the preceding paragraph shall include the management procedures for the purchase and sale transactions, acquisition or disposal of assets, loaning of funds and endorsement/ guarantee transactions, and relevant material transactions shall be submitted to the Board of Directors for approval, and submitted to the shareholders' meeting for approval or reported thereto.

Article 18 A corporate shareholder having controlling power over the Company shall comply with the following provisions:

- I. It shall bear a duty of good faith to other shareholders and shall not directly or indirectly cause the Company to conduct any business which is contrary to normal business practice or not profitable.
- II. The representative of a corporate shareholder shall follow the rules implemented by the Company with respect to the exercise of rights and participation in resolutions, such that at a shareholders' meeting, the representative shall exercise his/her voting right in good faith and for the best interest of all shareholders and shall exercise the fiduciary duty and duty of care of a director.
- III. It shall comply with relevant laws, regulations and the articles of incorporation of the company in nominating directors and shall not act

beyond the authority granted by the shareholders' meeting or Board meeting.

- IV. It shall not improperly intervene in corporate policy making or obstruct corporate management activities.
- V. It shall not restrict or impede the management or production of the company by methods of unfair competition such as monopolizing corporate procurement or foreclosing sales channels.
- VI. The representative that is designated when a corporate shareholder has been elected as a director shall meet the company's requirements for professional qualifications. Arbitrary replacement of the corporate shareholder's representative is inappropriate.

Article 19 The Company shall retain at all times a register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders.

The Company shall disclose periodically important information about its shareholders holding more than 10% of the outstanding shares of the Company relating to the pledge, increase or decrease of share ownership, or other matters that may possibly trigger a change in the ownership of their shares.

The major shareholders indicated in the first paragraph refer to those who owns 5% or more of the outstanding shares of the Company or the shareholding stake thereof is on the top 10 list; provided that the Company may set up a lower shareholding threshold according to the actual shareholding stake that may control the Company.

### Chapter 3 Enhancing the Functions of the Board of Directors

#### Section 1 Structure of the Board of Directors

Article 20 (Capabilities required for the entirety of Board of Directors)

The Board of Directors of the Company shall direct company strategies, supervise the management, and be responsible to and the Company and shareholders. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the Board of Directors complies with laws, regulations, its articles of incorporation, and the resolutions of its shareholders' meetings.

The structure of the Company's Board of Directors shall be determined by

choosing an appropriate number of Board members, not less than five, in consideration of its business scale, the shareholdings of its major shareholders, and practical operational needs.

The composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as the Company's officers not exceed one-third of the total number of the Board members, and that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

- I. Basic requirements and values: Gender, age, nationality, and culture, and the ratio of female directors shall reach one-third of the total number of directors.
- II. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

All members of the Board shall have the knowledge, skills, and experience necessary to perform their duties. To realize the ideal of corporate governance, the Board of Directors as a whole shall possess the following abilities:

- I. Ability to make operational judgments.
- II. Ability to make operational judgments.
- III. Ability to conduct management administration.
- IV. Ability to handle crisis.
- V. Knowledge of the industry.
- VI. International market perspective.
- VII. Ability to lead.
- VIII. Ability to make policy decisions.

Article 21 The Company shall, according to the principles for the protection of shareholder rights and interests and equitable treatment of shareholders, establish a fair, just, and open procedure for the election of directors, encourage shareholder participation, and adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views.



Unless the competent authority otherwise grants an approval, a spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of the directors of the Company.

When the number of directors falls below five due to a director leaving office for any reason, the Company shall hold a by-election to fill the vacancy at its next shareholders' meeting. When the number of directors falls short by one-third of the total number prescribed in the Company's Articles of Incorporation, the Company shall call a special shareholders' meeting within sixty days from the date of occurrence to hold a by-election to fill the vacancies.

The aggregate shareholding percentage of all of the directors of the Company shall comply with the laws and regulations. Restrictions on the share transfer of each director and the creation, release, or changes of any pledges over the shares held by each director shall be subject to the relevant laws and regulations, and the relevant information shall be fully disclosed.

Article 22 (Specify nominated candidate system for election of directors in articles of incorporation)

The Company shall specify in its articles of incorporation in accordance with the laws and regulations of the competent authorities what candidate nomination system it adopts for elections of directors, carefully review the qualifications of a nominated candidate and the existence of any other matters set forth in Article 30 of the Company Act, and act in accordance with Article 192-1 of the Company Act.

Article 23 (Board of Directors of the Company shall clearly distinguish duties and responsibilities of functional committee, Chairman and president)

Clear distinctions shall be drawn between the duties and responsibilities of the Chairman and president of the Company.

It is inappropriate for the Chairman to also act as the president or an equivalent position.

The Company with a functional committee shall clearly define the responsibilities and duties of the committee.

## Section 2 of the Independent Director System

Article 24 (The Company shall appoint independent directors according to the articles

of incorporation)

The Company shall establish two or more independent directors pursuant to the articles of incorporation, and the number of independent directors is advised to be not less than one-third of the total number of directors, and the consecutive number of terms of office of independent directors is advised to be less than three terms.

Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings. Applicable laws and regulations shall be observed and, in addition, it is not advisable for an independent director to hold office concurrently as a director (including independent director) of more than five other companies. Independent directors shall also maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the Company.

If the Company and its group enterprises and organizations, and another company and its group enterprises and organizations nominate for each other any director or managerial officer as a candidate for an independent director of the other, the Company shall, at the time it receives the nominations for independent directors, disclose the fact and explain the suitability of the candidate for independent director. If the candidate is elected as an independent director, the Company shall disclose the number of votes cast in favor of the elected independent director.

The “group enterprises and organizations” in the preceding paragraph comprise the subsidiaries of the Company, any foundation to which the Company's cumulative direct or indirect contribution of funds exceeds 50% of its endowment, and other institutions or juristic persons that are effectively controlled by the Company.

Change of status between independent directors and non-independent directors during their term of office is prohibited.

The professional qualifications, restrictions on both shareholding and concurrent positions held, determination of independence, method of nomination and other requirements with regard to the independent directors shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies, and the rules and regulations of

TWSE or TPEX.

Article 25 The Company shall submit the following matters to the Board of Directors for approval by resolution as provided in the Securities and Exchange Act. When an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of the directors meeting:

- I. Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- II. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
- III. Matters bearing on the personal interest of a director.
- IV. Material assets or derivatives transactions.
- V. Material monetary loans, endorsements, or provision of guarantees.
- VI. Offering, issuance, or private placement of equity-type securities.
- VII. Appointment, dismissal of or remuneration of certified public accountants.
- VIII. Appointment or dismissal of a financial, accounting, or internal audit officer.
- IX. Other material matters specified by the competent authority.

Article 26 The Company shall define the scope of duties of the independent directors and empower them with manpower and physical support related to the exercise of their power. The Company or other Board members shall not obstruct, reject or circumvent the performance of duties by the independent directors.

The Company shall define the remuneration of the directors according to applicable laws and regulations. The remuneration of the directors shall fully reflect the personal performance and the long-term management performance of the Company, and shall also take the overall operational risks of the Company into consideration. Different but reasonable remuneration from that of other directors may be set forth for the independent directors. Different but reasonable remuneration from that of other directors may be set forth for the independent directors.

### Section 3 Functional Committees

Article 27 For the purpose of developing supervisory functions and strengthening management mechanisms, the Board of Directors of the Company, in consideration of the Company's scale and type of operations and the number of its Board members, may set up functional committees for auditing, remuneration, nomination, risk management or any other functions, and based on concepts of corporate social responsibility and sustainable operation, may set up environmental protection, corporate social responsibility, or other committees, and expressly provide for them in the Articles of Incorporation.

Functional committees shall be responsible to the Board of Directors and submit their proposals to the Board of Directors for approval; provided that the performance of the duties of independent directors by the audit committee pursuant to Paragraph 4 of Article 14-4 of the Securities and Exchange Act shall be excluded.

Functional committees shall adopt an organizational charter to be approved by the Board of Directors. The organizational charter shall contain the numbers, terms of office, and powers of committee members, as well as the meeting rules and resources to be provided by the Company for exercise of power by the committee.

Article 28 The Company establishes an audit committee according to the law and regulations.

The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise.

The exercise of power by the audit committee and independent directors and related matters shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and the rules and regulations of the TWSE or TPEX.

Article 28-1 The Company shall establish a remuneration committee, and it is advisable that more than half of the committee members be independent directors. The professional qualifications for the committee members, the exercise of

their powers of office, the adoption of the organizational charter, and related matters shall be handled pursuant to the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter”.

Article 28-2 (The Company is advised to establish nomination committee)

The Company is advised to establish a nomination committee and its organization charter. It is advisable that a majority of the members of said committee shall be independent directors, and its chairperson shall be an independent director.

Article 28-3 (Whistleblowing System)

The Company is advised to establish and announce channels for internal and external whistleblowers and have whistleblower protection mechanisms in place. The unit that handles whistleblowers' reports shall be independent, provide encrypted protection for the files furnished by whistleblowers, and appropriately restrict access to such files. It shall also formulate internal procedures and incorporate those procedures into the company's internal control system for management purposes.

Article 29 To improve the quality of its financial reports, the Company shall establish the position of deputy to its principal accounting officer.

To enhance the professional abilities of the deputy accounting officer of the preceding paragraph, the deputy's continuing education shall proceed following the schedule of the principal accounting officer each year.

Accounting personnel handling the preparation of financial reports shall also participate in relevant professional development courses for six hours or more each year. Those courses may be Company internal training activities or may be professional courses offered by professional development institutions for principal accounting officers.

The Company shall select as its external auditor a professional, responsible, and independent attesting CPA, who shall perform regular reviews of the financial conditions and internal control measures of the Company. With regard to any irregularity or deficiency discovered and disclosed in a timely manner by the auditor during the review, and concrete measures for improvement or prevention suggested by the auditor, the

Company shall faithfully implement improvement actions. It is advisable that the Company establish channels and mechanisms of communication between the independent directors, the supervisor or audit committee, and the attesting CPA, and to incorporate procedures for that purpose into the Company's internal control system for management purposes.

The Company shall evaluate the independence and suitability of the CPA retained by the Company regularly (at least once annually) according to the audit quality index (AQI). In the event that the Company engages the same CPA without replacement for seven years consecutively, or if the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the Company shall evaluate the necessity of replacing the CPA and submit its conclusion to the Board of Directors.

Article 30 It is advisable that the Company engage a professional and competent legal counsel to provide adequate legal consultation services to the Company, or to assist the directors, the supervisors and the management to improve their knowledge of the law, for the purposes of preventing any infraction of laws or regulations by the company or its staff and ensuring that corporate governance matters proceed pursuant to the relevant legal framework and the prescribed procedures.

When, as a result of performing their lawful duties, directors, supervisors or the management are involved in litigation or a dispute with shareholders, the Company shall retain legal counsel to provide assistance as circumstances require.

The audit committee or an independent director may retain the service of legal counsel, CPA, or other professionals on behalf of the Company to conduct a necessary audit or provide consultation on matters in relation to the exercise of their power, at the expense of the Company.

Section 4 Rules for the Proceedings of Board Meetings and Decision-Making Procedures

Article 31 The Board of Directors of the Company shall meet at least once every quarter, or convene at any time in case of emergency. To convene a Board meeting, a meeting notice which specifies the purposes of the meeting shall be sent to each director and supervisor no later than seven days before the scheduled date. Sufficient meeting materials shall also be

prepared and enclosed in the meeting notice. If the meeting materials are deemed inadequate, a director may request for supplemental materials or request for a postponement of the meeting based on the resolution of the Board of Directors.

The Company shall adopt rules of procedure for Board meetings, which shall follow the Regulations Governing Procedure for Board of Directors Meetings of Public Companies with regard to the content of deliberations, procedures, matters to be recorded in the meeting minutes, public announcements, and other matters for compliance.

Article 32 Directors shall exercise a high degree of self-discipline. If a director or a juristic person represented by the director is an interested party with respect to any proposal for a Board meeting, the director shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that proposal and shall enter recusal during the discussion and voting. The director also may not act as another director's proxy to exercise voting rights on that matter. Matters requiring the voluntary recusal of a director shall be clearly set forth in the in order of procedure for Board meetings.

Article 33 When a Board meeting is convened to consider any matter submitted to it pursuant to Article 14-3 of the Securities and Exchange Act, an independent director of the Company shall attend the Board meeting in person, and may not be represented by a non-independent director via proxy. If an independent director objects to or expresses reservations about a specific matter, it shall be recorded in the Board meeting minutes; if an independent director intends to express an objection or reservation but is unable to attend the meeting in person, then unless there is a legitimate reason, a written opinion shall be issued in advance, and such matter shall also be recorded in the Board meeting minutes.

In any of the following circumstances, decisions made by the Board of Directors shall be noted in the meeting minutes, and in addition, publicly announced and filed on the MOPS two hours before the beginning of trading hours on the first business day after the date of the Board meeting:

I. An independent director has a dissenting or qualified opinion which is

on record or stated in a written statement.

- II. Where a matter is not approved by the audit committee, if the company has established the audit committee, but the consent from more than two-thirds of all directors is obtained.

During a Board meeting, managerial officers from relevant departments who are not directors may, in view of the meeting agenda, sit in at the meetings, make reports on the current business conditions of the Company and respond to inquiries raised by the directors. When it is considered necessary, CPA, legal counsel or other professionals may be invited to attend the meetings to assist the directors in understanding the conditions of the Company for the purpose of adopting an appropriate resolution, provided that they shall leave the meeting when deliberation or voting takes place.

Article 34 Meeting affairs personnel of the Company attending Board meetings shall collect and correctly record the meeting minutes in detail, as well as a summary, the method of resolution, and voting results of all the proposals submitted to the Board meeting in accordance with relevant regulations.

The minutes of the Board of Directors meetings shall be signed by the Chair and secretary of the meeting and sent to each director and supervisor within 20 days after the meeting. The director attendance records shall be made part of the meeting minutes, treated as important corporate records, and kept safe permanently during the life of the Company.

The meeting minutes may be produced, distributed and preserved in electronic form.

The Company shall record on audio or video tape the entire proceedings of a Board of Directors meeting and preserve the recordings for at least five years, in electronic form or otherwise.

If any litigation arises with respect to a resolution of a Board meeting before the end of the retention period of the preceding paragraph, the relevant audio or video record shall be retained until the conclusion of the litigation, and the provision of the preceding paragraph shall not be applied. Where a Board of Directors' meeting is held via video conference, the audio or video recordings of the meeting form a part of the meeting



minutes and shall be preserved permanently.

Where a resolution of the Board of Directors violates laws or regulations, the Articles of Incorporation, or shareholders' meeting resolutions, with resulting injury to the Company, dissenting directors whose dissent is documented by the minutes or by written declarations will not be liable for damages.

Article 35 The Company shall submit the following matters to the Board of Directors for discussion:

- I. The Company's business plan.
- II. Annual and semi-annual financial reports. However, where the semi-annual financial statements are not required to be audited and certified by CPAs according to the provisions of laws, such restriction shall not be applied.
- III. Adoption or amendment of the internal control system according to Article 14-1 of the Securities and Exchange Act., and evaluation of effectiveness of the internal control system.
- IV. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
- V. Offering, issuance, or private placement of equity-type securities.
- VI. The performance assessment and the standard of remuneration of the managerial officers.
- VII. Remuneration structure and system of the directors.
- VIII. Appointment or dismissal of a financial, accounting, or internal audit officer.
- IX. A donation to a related party or a major donation to a non-related party; provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following Board of Directors meeting for retroactive recognition.
- X. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or to be approved by resolution at a Board

of Directors' meeting, or any such significant matter as may be prescribed by the competent authority.

Except for matters that must be submitted to the Board of Directors for discussion under the preceding paragraph, when the Board of Directors is in recess, it may delegate the exercise of its power to others in accordance with law, regulations, or its articles of incorporation. However, the level of delegation or the content or matters to be delegated shall be clearly specified, and general authorization is not permitted.

Article 36 The Company shall ask the appropriate corporate department or personnel to execute matters pursuant to Board of Directors' resolutions in a manner consistent with the planned schedule and objectives. It shall also follow up on those matters and faithfully review their implementation.

The Board of Directors shall remain informed of the progress of implementation and receive reports in subsequent meetings to ensure the actual implementation of the Board's management decisions.

#### Section 5 Fiduciary Duty, Duty of Care and Responsibility of Directors

Article 37 (Members of Board of Directors shall faithfully conduct corporate affairs and perform duty of care of good administrator)

Members of the Board of Directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator. In conducting the affairs of the company, they shall exercise their powers with a high level of self-discipline and prudence. Unless matters are otherwise reserved by law for approval in shareholders' meetings or in the articles of incorporation, they shall ensure that all matters are handled according to the resolutions of Board of Directors.

The Company is advised to formulate rules and procedures for Board of Directors performance assessments. Each year, in respect of the Board of Directors and individual directors, it shall conduct regularly scheduled performance assessments through self-assessments or peer-to-peer assessments, and may also do so through outside professional institutions or in any other appropriate manner. A performance assessment of the Board of Directors shall include the following aspects, and appropriate assessment indicators shall be developed in consideration of the Company's needs:

- I. The degree of participation in the Company's operations.
- II. Improvement of the quality of the Board of Directors' decision making;
- III. Composition and structure of the Board of Directors.
- IV. Election and continuing education of the directors.
- V. Internal control.

The performance assessments of Board members (self-assessments or peer-to-peer assessments) shall include the following aspects, with appropriate adjustments made on the basis of the Company's needs:

- I. Alignment of the goals and mission of the company.
- II. Awareness of the duties of a director
- III. The degree of participation in the Company's operations.
- IV. Management of internal relationship and communication.
- V. Professionalism and continuing professional education.
- VI. Internal control.

It is advisable that the Company conduct performance assessments of a functional committee, covering the following aspects, with appropriate adjustments made on the basis of the Company's needs:

- I. The degree of participation in the Company's operations.
- II. Awareness of the duties of the functional committee.
- III. Improvement in the quality of decision making by the functional committee.
- IV. Composition of the functional committee and election of its members.
- V. Internal control.

The Company is advised to submit the results of performance assessments to the Board of Directors and use them as reference in determining compensation for individual directors, their nomination and additional office term.

Article 37-1 It is advisable for the Company to establish a succession plan for the management. The development and implementation of such plan shall be periodically evaluated by the Board of Directors to ensure sustainable operation.

Article 37-2 (Establishment of an intellectual property regulatory system)

The Board of Directors is advised to evaluate and monitor the following aspects of the Company's direction of operation and performance in

connection with intellectual properties, to ensure the Company develops an intellectual property regulatory system in accordance with the “Plan-Do-Check-Act” cycle:

- I. Formulate intellectual property regulatory policies, objectives and systems that are slightly associated with the operational strategies.
- II. Develop, implement and maintain on the basis of scale and form its regulatory systems governing the procurement, protection, maintenance and utilization of intellectual properties.
- III. Identify and provide the necessary resources sufficient to ensure effective implementation and maintenance of the intellectual property regulatory system.
- IV. Observe internally and externally the risks and opportunities that intellectual property regulation may present and adopt corresponding measures.
- V. Plan for and implement a continuous improvement mechanism to ensure the operation and effects of the intellectual property regulatory regime meet the Company's expectations.

Article 38 If a resolution of the Board of Directors violates law, regulations or the company's articles of incorporation, then at the request of shareholders holding shares continuously for a year or an independent director to discontinue the implementation of the resolution, members of the Board shall take appropriate measures or discontinue the implementation of such resolution as soon as possible.

Upon discovering a likelihood that the Company would suffer material injury, members of the Board of Directors shall immediately report to the audit committee or an independent director member of the audit committee accordance with the foregoing paragraph.

Article 39 The Company shall apply for directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk of material harm to the company and shareholders arising from the wrongdoings or negligence of a director.

The Company is advised to report the insured amount, coverage, premium rate, and other major contents of the liability insurance it has applied or

renewed for directors, at the most recent Board meeting.

Article 40 Members of the Board of Directors are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the rules governing implementation of continuing education for directors of the Company, which cover subjects relating to corporate governance upon becoming directors and throughout their terms of occupancy. They shall also ensure that the Company's employees at all levels will enhance their professionalism and knowledge of the law.

#### Chapter 4 Respecting Stakeholders' Rights and Interests

Article 41 (The Company shall maintain communication with its stakeholders and protect their rights and interests)

The Company shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders of the company, respect and safeguard their legal rights and interests, and designate a stakeholders section on its website.

When the legal rights or interests of a stakeholder is harmed, the Company shall handle such matter properly based on the principle of good faith.

Article 42 The Company shall provide sufficient information to banks and its other creditors to facilitate their evaluation of the operational and financial conditions of the company and its decision-making process. When any of their legal rights or interest is harmed, the Company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

Article 43 The Company shall establish channels of communication with employees and encourage employees to communicate directly with the management, directors, or supervisors so as to reflect employees' opinions about the management, financial conditions, and material decisions of the Company concerning employee welfare.

Article 44 During the development of its normal business operation and the process of maximizing the shareholders' interest, the Company shall pay attention to consumers' interests, environmental protection of nearby communities, and public interest issues, and shall give serious regard to the Company's social responsibility.

## Chapter 5 Improving Information Transparency

### Section 1 Enhancing Information Disclosure

Article 45 Disclosure of information is a major responsibility of the Company. The Company shall perform its obligations faithfully in accordance with the relevant laws and regulations as well as the rules specified by TWSE and TPEX.

The Company shall establish an Internet-based reporting system for public information, appoint personnel responsible for gathering and disclosing the information, and establish a spokesperson system so as to ensure the proper and timely disclosure of information about policies that might affect the decisions of shareholders and stakeholders.

Article 46 In order to enhance the accuracy and timeliness of the material information disclosed, the Company shall appoint a spokesperson and acting spokesperson(s) who understand thoroughly the company's financial and business conditions and who are capable of coordinating among departments for gathering relevant information and representing the company in making statements independently.

The Company shall appoint one or more acting spokespersons who shall represent the Company, when the spokesperson cannot perform his/her duties, in making statements independently, provided that the order of authority is established to avoid any confusion.

In order to implement the spokesperson system, the Company shall streamline the process of making external statements, and require the management and employees to maintain the confidentiality of financial and operational secrets and prohibit their disclosure of any such information arbitrarily.

The Company shall disclose the relevant information immediately when there is any change to the position of a spokesperson or acting spokesperson.

Article 47 In order to keep shareholders and stakeholders fully informed, the Company shall utilize the convenience of the Internet and set up a website containing the information regarding the Company's finances, operations, and corporate governance. It is also advisable for the Company to furnish the financial, corporate governance, and other relevant information in

English.

To avoid misleading information, the aforesaid website shall be maintained by specified personnel, and the recorded information shall be accurate, detailed and updated on a timely basis.

Article 48 The Company shall hold an investor conference in compliance with the regulations of the TWSE or TPEX, and shall keep an audio or video record of the meeting. The financial and business information disclosed in the investor conference shall be disclosed on the MOPS and provided for inquiry through the website established by the Company, or through other channels, in accordance with the rules specified by TWSE or TPEX.

## Section 2 Disclosure of Information on Corporate Governance

Article 49 (Disclosure of corporate governance information)

The website of the Company shall include a dedicated section for disclosing and updating from time to time the following information regarding corporate governance:

- I. Board of Directors: Information of, such as, Board member profile and responsibilities, Board member diversity policy and Implementation status.
- II. Functional committees: Information of, such as, profile and responsibilities of functional committee members.
- III. Corporate governance related regulations: Information of corporate governance related regulations, such as articles of incorporation, procedures for Board of Directors' meeting, functional committee charter.
- IV. Important information related to corporate governance: Information of, such as, corporate governance officer.

## Chapter 6 Supplementary Provisions

Article 50 The Company shall, at all times, monitor domestic and international developments in corporate governance as a basis for review and improvement of the company's own corporate governance mechanisms, in order to enhance the outcome of corporate governance.

Article 51 (Implementation and revision records)

- I. These Principles and any amendments hereto, shall be approved by the Board of Directors, and shall be reported to a shareholders'

meeting for approval before implementation. The same shall be applied to amendments to these Principles.

II. Amendment History

Version	Page of Amendment	Content of Amendment	Amendment Made By	Effective Date
1.0	1-16	Original Version.	Audit Office	2024/02/21 (Shareholders' Meeting)



## **WALRUS PUMP Co., Ltd.**

### **Rules of Procedure for Shareholders' Meetings**

- Article 1 To establish a proper governance system and sound supervisory capabilities for the shareholders' meetings of the Company, and to strengthen management capabilities, these Rules are adopted in accordance with Article 5 of the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" for compliance.
- Article 2 The rules of procedures for shareholders' meeting of the Company, except as otherwise provided by law, regulations or the articles of incorporation, shall follow these Rules.
- Article 3 Unless otherwise provided by law or regulation, the shareholders' meetings of the Company shall be convened by the Board of Directors.
- When the Company convenes a virtual shareholders' meeting, unless the Regulations Governing the Administration of Shareholder Services of Public Companies specify others, the articles of incorporation shall describe procedures in detail, and the resolution of the Board of Directors shall be adopted, and the virtual shareholders' meeting shall be attended by more than two-thirds of the directors of the Board and with resolution made based on the consents of a majority of attending directors.
- Changes to how the Company convenes its shareholders' meeting shall be resolved by the Board of Directors, and shall be made no later than the mailing of the shareholders' meeting notice.
- The Company, after public issuing, 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 or supervisors, and upload them to the Market Observation Post System (MOPS) thirty days before the date of an ordinary shareholders' meeting or fifteen days before the date of an extraordinary shareholders' meeting. In addition, the Company shall prepare electronic versions of the shareholders' meeting agenda and supplemental meeting materials and upload them to the MOPS twenty-one days before the date of an ordinary shareholders' meeting or fifteen days before the date of an extraordinary

shareholders' meeting. If, however, the Company's paid-in capital reaches NT\$10 billion or more as of the last day of the most current fiscal year, or total shareholding percentage of foreign shareholders and China (PRC) shareholders reaches 30% or more as recorded in the roster of shareholders of the shareholders' meeting held in the immediately preceding year, transmission of these electronic files shall be made by thirty days before the general shareholders' meeting. Furthermore, fifteen days before the date of the shareholders' meeting, the Company shall also have prepared the shareholders' meeting agenda and supplemental meeting materials and made them available for review by shareholders. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby.

For the meeting agenda and supplemental meeting materials described in the preceding paragraph, the Company shall provide them to the shareholders for review on the convention date of the shareholders' meeting according to the following method:

- I. When a physical shareholders' meeting is convened, such material shall be distributed on-site at the shareholders' meeting.
- II. When a virtual shareholders' meeting is convened, such materials shall be distributed on-site at the shareholders' meeting, and an electronic file of such materials shall be uploaded to the video conference platform.
- III. When a virtual shareholders' meeting is convened, electronic files shall be transmitted via the virtual meeting platform.

The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of directors or supervisors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of the removal of the non-compete clause for the directors, capitalization of earnings, capitalization of legal reserve, dissolution, merger, or demerger of the Company, or any matter in the Subparagraphs of Paragraph 1 of Article 185 of the Company

Act; Articles 26-1 and 43-6 of the Securities and Exchange Act, and Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, shall be set out and the essential contents explained in the notice of the shareholders' meeting. None of the above matters may be raised by an extempore motion.

Where the notice to convene a shareholders' meeting has indicated the full re-election of directors and supervisors, and the date of assumption of position has been specified, then after the completion of the re-election in such shareholders' meeting, the date of assumption of the position shall not be changed via extraordinary motion or other methods.

Shareholder(s) holding one percent or more of the total number of outstanding shares of a company may propose to the Company a proposal for discussion at a regular shareholders' meeting, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. When the circumstances of any Subparagraph of Paragraph 4 of Article 172-1 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda.

Shareholders may submit suggestive proposals for urging the Company to promote public interests or fulfill its social responsibilities, provided that the procedure shall comply with relevant provisions of Article 172-1 of the Company Act, and the number of items so proposed shall be limited to one only, and no proposal containing more than one item shall be included in the meeting agenda.

Prior to the book closure date before an ordinary shareholders' meeting is held, the Company shall publicly announce its acceptance of shareholder proposals in writing or electronically, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than ten days.

Shareholder-submitted proposals are limited to 300 words, and for a proposal containing more than 300 words, such proposal is not be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders' meeting and take part in discussion of the proposal.

Prior to the date for issuance of 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 a shareholders' meeting, the Board of Directors shall explain the reasons for exclusion of any shareholders' 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; except when a declaration is made to cancel the earlier declaration of intent.

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 days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the shareholders' meeting via the video conferencing method, a written notice of proxy cancellation shall be submitted to the Company two 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 (Principles for shareholders' meeting convention time and venue)

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 a.m. and no later than 3 p.m. After the Company has established the independent directors, full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

The restrictions on the place of the meeting shall not apply when the Company convenes a virtual shareholders' meeting.

Article 6 (Preparation of documents such as the attendance book)

The Company shall specify in its shareholders' meeting notices the time during which attendance registrations for shareholders, solicitors and proxies (collectively referred to as "shareholders") will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations are accepted, as stated in the preceding paragraph, shall be at least thirty minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations. For virtual shareholders' meetings, shareholders may begin to register on the virtual meeting platform thirty minutes before the meeting starts. Shareholders completing registration are deemed as attending the shareholders' meeting in person.

Shareholders shall attend shareholders' meetings by presenting the attendance cards, sign-in cards, or other certificates of attendance. 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.

The Company shall furnish the attending shareholders with an attendance book 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 agenda book, 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.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

In the event of a virtual shareholders' meeting, shareholders planning to attend the meeting online shall register with the Company two days before

the meeting date.

In the event of a virtual shareholders' meeting, the Company shall upload the meeting agenda book, annual report and other meeting materials to the virtual meeting platform at least thirty minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

Article 6-1 (Convention of virtual shareholders' meeting, and required particulars for shareholders' meeting notice)

To convene a virtual shareholders' meeting, the Company shall include the follow particulars in the shareholders' meeting notice:

- I. Methods for the shareholders to attend the virtual meeting and to exercise their rights.
- II. Actions to be taken if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events, at least covering the following particulars:
  - (I) To what time the meeting is postponed or from what time the meeting will resume if the above obstruction continues and cannot be removed, and the date to which the meeting is postponed or on which the meeting will resume.
  - (II) Shareholders not having registered to attend the affected virtual shareholders' meeting shall not attend the postponed or resumed session.
  - (III) When a video-assisted shareholders' meeting is convened, and the virtual meeting cannot continue, if the total number of shares represented at the meeting, after deduction of those represented by shareholders attending the virtual shareholders' meeting online, still meets the minimum legal requirement for a shareholders' meeting, then the shareholders' meeting shall continue. The shares represented by shareholders' attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, provided these shareholders shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders' meeting.
  - (IV) Actions to be taken if the outcome of all proposals have been

announced and extraordinary motion has not been carried out.

- III. To convene a virtual shareholders' meeting, appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders' meeting online shall be specified. Except for the circumstances under Paragraph 6 of Article 44-9 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the Company shall provide shareholders with at least connection equipment and necessary assistance and state the period during which shareholders may apply to the Company for such equipment or assistance and other relevant matters to be noted.

#### Article 7 (Chair and Non-voting Participants of Shareholders' Meeting)

If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman of the Board. When the chairman of the Board is on leave or for any reason unable to exercise the powers of the Chairman, the vice chairman shall act in place of the chairman; if there is no vice chairman or the vice chairman also is on leave or for any reason unable to exercise the powers of the vice chairman, the Chairman shall appoint one of the managing directors to act as Chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairman does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as the Chair.

When a managing director or a director serves as the 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 the Chair.

It is advisable that shareholders' meetings convened by the Board of Directors be chaired 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 shareholders' 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 jointly elect 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 in a non-voting capacity.

Article 8 (Documentation of a shareholders meeting by audio or video)

The Company, beginning from the time it accepts shareholder attendance registrations of a shareholders' meeting, shall make an uninterrupted audio and/or video recording of the registration procedure, the proceedings of the shareholders' meeting, and the voting and vote counting procedures.

The recorded materials of the preceding paragraph shall be retained for at least one year. However, if a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Where a shareholders' meeting is held via video conferencing, the Company shall keep records of shareholder registration, sign-in, check-in, questions raised, votes cast and results of votes counted by the Company, and continuously audio and video record, without interruption, the proceedings of the virtual meeting from beginning to end.

The information and audio and video recording in the preceding paragraph shall be properly kept by the Company during the entirety of its existence, and copies of the audio and video recording shall be provided to and kept by the party appointed to handle matters of the virtual meeting.

For a virtual shareholders' meeting, the Company is advised to audio and video record the back-end operation interface of the virtual meeting platform.

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, and the shares checked in on the virtual meeting platform, 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. In the event of a virtual shareholders' meeting, the Company shall also declare the meeting adjourned at the virtual meeting platform.

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 of 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. In the event of a virtual shareholders' meeting, shareholders intending to attend the meeting online shall re-register to the Company in accordance with Article 6.

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 Where 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 (Shareholders' speech)

Before speaking, an attending shareholder must specify on a speaker's slip the subject of their talking point, 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 statement 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 statement may not exceed five minutes. If the shareholder's statement 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 an institutional 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.

Where a virtual shareholders' meeting is convened, shareholders attending the virtual meeting may raise questions in writing at the virtual meeting platform from the Chair declaring the meeting open until the Chair declaring the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more than 200 words. The regulations in Paragraphs 1 to 5 do not apply.

As long as questions so raised in accordance with the preceding paragraph are not in violation of the regulations or beyond the scope of a proposal, it is advisable the questions be disclosed to the public at the virtual meeting platform.

Article 12 (Calculation of voting shares and recusal system)

Voting at a shareholders' meeting shall be calculated based on the number 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 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 service agent approved by the competent authority in charge of securities, when one person is concurrently appointed as a proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3% 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 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 of Article 179 of the Company Act.

When the Company holds a shareholders' meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. 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 shall be deemed to have attended the shareholders' meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; therefore, it is advisable that the Company shall avoid the submission of extraordinary motions and amendments to original proposals.

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, at least 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 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. In addition, on the same day after the conclusion of the shareholders' meeting, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

When there is an amendment or 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 anyone 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 have the identity of shareholders of the Company.

Vote counting for proposals or elections of a shareholders' meeting shall be conducted in public at the place of the shareholders' meeting. In addition, immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and record shall also be made.

When the Company convenes a virtual shareholders' meeting, after the Chair declares the meeting open, shareholders attending the virtual meeting shall cast votes on proposals and elections on the virtual meeting platform before the Chair announces the voting session ends or will be deemed abstained from voting.

In the event of a virtual shareholders' meeting, votes shall be counted at once after the Chair announces the voting session ends, and results of votes and elections shall be announced immediately.

When the Company convenes a virtual shareholders' meeting, if shareholders who have registered to attend the virtual meeting in accordance with Article 6 decide to attend the physical shareholders' meeting in person, they shall revoke their registration two days before the shareholders' meeting in the same manner as they registered. If their registration is not revoked within the time limit, they may only attend the virtual shareholders' meeting.

When shareholders exercise voting rights by correspondence or electronic means, unless they have withdrawn the declaration of intent and attended the virtual shareholders' meeting, except for extraordinary motions, they may not exercise voting rights on the original proposals or make any amendments to the original proposals or exercise voting rights on amendments to the original proposal.

Article 14 The election of directors or supervisors 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 or supervisors and the numbers of votes with which they were elected, and the names of directors or supervisors not elected and number of votes they received.

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. However, if 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 Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the Chair of the meeting and shall be distributed to all shareholders of the Company within twenty 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 (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors or supervisors. The minutes shall be retained for the duration of the existence of the Company.

Where a virtual shareholders' meeting is convened, in addition to the particulars to be included in the meeting minutes as described in the

preceding paragraph, the start time and end time of the shareholders' meeting, how the meeting is convened, the Chair's and secretary's name, and actions to be taken in the event of disruption to the virtual meeting platform or participation in the online due to natural disasters, accidents or other force majeure events, and how issues are dealt with shall also be included in the minutes.

When convening a virtual shareholders' meeting, other than compliance with the requirements in the preceding paragraph, the Company shall specify in the meeting minutes alternative measures available to shareholders with difficulties in attending a virtual shareholders' meeting.

Article 16 (Public 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 by correspondence or electronic means, and shall make an express disclosure of the same at the place of the shareholders' meeting. In the event a virtual shareholders' meeting, the Company shall upload the above meeting materials to the virtual meeting platform at least thirty minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

During the virtual shareholders' meeting convened by the Company, when the meeting is called to order, the total number of shares represented at the meeting shall be disclosed on the virtual meeting platform. The same shall apply whenever the total number of shares represented at the meeting and a new tally of votes is released during the 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 (or Taipei Exchange) regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17 (Maintaining order at the meeting place)

Meeting affairs personnel 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 doing so.

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 (Recess and resumption of a shareholders' 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.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

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 (Disclosure of information at virtual meetings)**

In the event of a virtual shareholders' meeting, the Company shall disclose real-time results of votes and election immediately after the end of the voting session on the virtual meeting platform according to the regulations, and this disclosure shall continue at least fifteen minutes after the Chair has announced the meeting adjourned.

**Article 20 (Location of Chair and secretary of virtual shareholders' meeting)**

When the Company convenes a virtual shareholders' meeting, both the Chair and secretary shall be in the same location, and the Chair shall declare the address of their location when the meeting is called to order.

**Article 21 (Handling of disconnection)**



In the event of a virtual shareholders' meeting, the Company may offer a simple connection test to shareholders prior to the meeting, and provide relevant real-time services before and during the meeting to help resolve communication technical issues.

In the event of a virtual shareholders' meeting, when declaring the meeting open, the Chair shall also declare, unless under a circumstance where a meeting is not required to be postponed to or resumed at another time under Paragraph 4 of Article 44-20 of the Regulations Governing the Administration of Shareholder Services of Public Companies, if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events before the Chair has announced the meeting adjourned, and the obstruction continues for more than thirty minutes, the virtual meeting shall be postponed to or resumed on another date within five days, in which case Article 182 of the Company Act shall not apply.

For a meeting to be postponed or resumed as described in the preceding paragraph, shareholders who have not registered to participate in the affected virtual shareholders' meeting online shall not attend the postponed or resumed session.

For a meeting to be postponed or resumed under Paragraph 2, the number of shares represented by, and voting rights and election rights exercised by the shareholders who have registered to participate in the affected shareholders' meeting and have successfully signed in the virtual meeting, but do not attend the postpone or resumed session, at the affected shareholders' meeting, shall be counted towards the total number of shares, number of voting rights and number of election rights represented at the postponed or resumed session.

During a postponed or resumed session of a shareholders' meeting held under Paragraph 2, no further discussion or resolution is required for proposals for which votes have been cast and counted and results have been announced, or list of elected directors and supervisors.

When the Company convenes a video-assisted shareholders' meeting, and the virtual meeting cannot continue as described in Paragraph 2, if the total number of shares represented at the meeting, after deducting those

represented by shareholders attending the virtual shareholders' meeting, still meets the minimum legal requirement for a shareholders' meeting, then the shareholders' meeting shall continue, and postponement or resumption of the meeting under Paragraph 2 is not required.

Under the circumstances where a meeting shall continue as described in the preceding paragraph, the shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, provided these shareholders shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders' meeting.

When postponing or resuming a meeting according to Paragraph 2, the Company shall handle the preparatory work based on the date of the original shareholders' meeting in accordance with the requirements listed under Paragraph 7 of Article 44-20 of the Regulations Governing the Administration of Shareholder Services of Public Companies.

For dates or period set forth under second half of Article 12 and Paragraph 3 of Article 13 of Regulations Governing the Use of Proxies for Attendance at Shareholders' Meetings of Public Companies, and Paragraph 2 of Article 44-5, Article 44-15, and Paragraph 1 of Article 44-17 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the Company shall handle the matter based on the date of the shareholders' meeting that is postponed or resumed under Paragraph 2.

Article 22 (Handling of digital divide)

During the convention of a virtual shareholders' meeting, the Company shall provide appropriate alternative measures available to shareholders with difficulties in attending the virtual shareholders' meeting online. Except for the circumstances under Paragraph 6 of Article 44-9 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the Company shall provide shareholders with at least connection equipment and necessary assistance and state the period during which shareholders may apply to the Company for such equipment or assistance and other relevant matters to be noted.

Article 23 (Implementation, revision and amendment records)

I. These Rules shall take effect after having been submitted to and

approved by a shareholders' meeting. Subsequent amendments thereto shall be effected in the same manner.

## II. Amendment History

Version	Page of Amendment	Content	Amendment	Effective Date
1.0	1-11	Original Version.	Audit Office	2022/06/06 (Shareholders' Meeting)
2.0	1-11	Amendment made in accordance with the amendment of the law.	Audit Office	2023/08/30 (Shareholders' Meeting)

## Shareholding of Directors

- I. The Company's paid-in capital is NT\$403,491,000, and the total number of issued shares: 40,349,100 shares.
- II. In accordance with Article 26 of the “Securities and Exchange Act” and Article 2 of the “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies”:  
The minimum number of shares required to be held by all directors: 3,600,000 shares.
- III. As of the book closure date (March 29, 2025) for the present general shareholders’ meeting:  
Actual number of shares held by all directors: 17,165,000 shares  
Details as follows:

Title	Name	Book closure date for general shareholders’ meeting Number of shares recorded in the shareholders’ roster	
		Number of shares held	Percentage (%)
Chairman	Jing Zhi Investment Co., Ltd. Representative: Raymond Huang	2,455,000	6.08%
Director	You Chang Investment Co., Ltd. Representative: Amy Huang	9,680,000	23.99%
Director	Wen Hua Investment Co., Ltd. Representative: Chien-Hua Shen	2,455,000	6.08%
Director	Jing Yu Investment Co., Ltd. Representative: Ching-Cheng Huang	2,455,000	6.08%
Director	Tsung-Lin Kuo	120,000	0.30%
Independent Director	Da-Pai Shen	0	0%
Independent Director	Chih-Min Fang	0	0%
Independent Director	Ming-Hong Hsieh	0	0%
Independent Director	Hsin Sun	0	0%
Total number of shares held by all directors		17,165,000	42.53%