

Stock Code:1537



廣隆光電科技股份有限公司
KUNG LONG BATTERIES INDUSTRIAL CO., LTD.

2023 Annual Shareholders' Meeting Agenda Handbook



Date & Time: June 13, 2023 (Tuesday) 9 a.m.
Place: No. 6, Zili 3rd Rd, Nantou City
(the Company)
By means of: physical shareholders' meeting



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Kung Long Batteries Industrial Co., Ltd.
2023 General Meeting of Shareholders

Date & Time: June 13, 2023 (Tuesday) 9 a.m.

Place: No. 6, Zili 3rd Rd, Nantou City (the Company)

By means of: physical shareholders' meeting

One. Meeting Procedure

- I. Call to order

- II. Statement by the chairman

- III. Reports
 - (I) Motion for the Company's 2022 business report and 2023 business plan report.
 - (II) Motion for 2022 final accounts report audited by the Audit Committee.
 - (III) Motion for 2022 employee remuneration and director remuneration distribution.

- IV. Ratifications
 - (I) Ratification of the motion for the Company's 2022 final accounts (business report, financial report).
 - (II) Ratification of the motion for the Company's 2022 earnings distribution table.

- V. Extempore motions

- VI. Adjournment

Two. Reports

Motion 1:

Cause: Motion for the Company's 2022 business report and 2023 business plan report, submitted for approval.

Description: Please refer to the business report on pages 5 to 11 of the Handbook.

Motion 2:

Case: Motion for 2022 final accounts report audited by the Audit Committee, submitted for approval.

Description:

- (I) Please refer to the audit report of the Audit Committee on page 12 of the Handbook.
- (II) The final accounts report has been audited and certified by the CPAs and reviewed by the Audit Committee, with an audit report issued.

Motion 3:

Cause: Motion for 2022 employee remuneration and director remuneration distribution, submitted for approval.

Description:

- (I) According to Article 22 of the Articles of Incorporation, "to motivate the employees and management team, if the Company records a profit (defined as gains before tax after deducting remuneration to employees and directors), not less than 2% of the profit shall be distributed as employee remuneration and not less than 5% of the profit shall be distributed as director remuneration".
- (II) In 2022, the Company's profit was NT\$1,156,749,987 (gains before tax after deducting remuneration to employees and directors). 3.43% or NT\$39,724,000 was proposed to be distributed as remuneration to employees and 1.79% or NT\$20,725,000 was proposed to be distributed as remuneration to directors in cash.
- (III) Remuneration to employees and directors was paid in cash, which was not different from the amount of expenses recognized in the financial statements for 2022.
- (IV) The amounts in the preceding paragraph were approved at the Remuneration Committee meeting held on January 13, 2023.
- (V) The distribution will be made after being reported to the shareholders' meeting.

Three. Ratifications

Motion 1: (Proposed by the Board of Directors)

Cause: Ratification of the motion for the Company's 2022 final accounts (business report, financial report), submitted for ratification.

Description:

- (I) The Company's 2022 parent company only financial report was prepared and has been audited by CPAs Hsu, Chien-Yeh and Wu, Sung-Yuan of PwC Taiwan, with an unqualified audit report issued.
- (II) The Company's 2022 consolidated financial report was prepared and has been audited by CPAs Hsu, Chien-Yeh and Wu, Sung-Yuan of PwC Taiwan, with an unqualified audit report issued.
- (III) The following tables have been prepared in accordance with Article 228 of the Company Act:
 - 1. Business Report. (Please refer to pages 5 to 11 of the Handbook)
 - 2. CPAs' Audit Report and 2022 Parent Company Only Financial Report. (Please refer to pages 13 to 24 of the Handbook)
 - 3. CPAs' Audit Report and 2022 Parent Consolidated Financial Report. (Please refer to pages 25 to 36 of the Handbook)
- (IV) The motion has been approved by the Audit Committee and the Board of Directors.
- (V) Submitted for ratification.

Resolution:

Motion 2: (Proposed by the Board of Directors)

Cause: Ratification of the motion for the Company's 2022 earnings distribution table, submitted for ratification.

Description:

- (I) The 2022 earnings distribution table has been prepared in accordance with the Company Act and the Articles of Incorporation.
(Please refer to page 37 of the Handbook)
- (II) In line with Article 66-9 of the Income Tax Act regarding the calculation of undistributed earnings, the 2022 earnings shall be distributed. If there is a shortfall, the accumulated earnings in previous years available for distribution shall be in the order of last-in and first-out in the year in which surplus is generated.
- (III) The Company's profit after tax for 2022 was NT\$881,574,536. After adding an adjustment of NT\$5,296,879, the undistributed earnings for 2022 was NT\$886,871,415 and after setting aside 10% or NT\$88,687,142 as legal reserve and return NT\$195,134,422 as special reserve, earnings available for distribution for 2022 was NT\$993,318,695. By adding undistributed earnings at opening of NT\$671,691,626, the accumulated earnings available for distribution was NT\$1,665,010,321. Shareholder bonus - NT\$10 per share, totaling NT\$819,365,940. After distribution, the undistributed earnings at closing was NT\$845,644,381.
- (IV) Shareholder bonus - cash less than NT\$1 was recorded as other income of the Company.

- (V) The Company's employees entitled to receive restricted stocks in accordance with the "Regulations for Issuance of Restricted Stocks", provided that they may not participate in the allotment of shares and dividends until the vesting conditions are met.
- (VI) If subsequently the number of the outstanding shares is affected by any change in the Company's share capital which results in a change in the shareholder dividend payout ratio, it is proposed that the chairman be authorized by the annual general meeting to handle the related matters.
- (VII) The motion, after approved by the Audit Committee and the Board of Directors, was submitted to the shareholders' meeting for ratification.
- (VIII) The motion for earnings distribution, after approved by the shareholders' meeting, was authorized to the chairman to set an ex-dividend date and other related matters.
- (IX) Submitted for ratification.

Resolution:

Four. Extempore motions

Five. Adjournment

Business Report

First of all, I would like thank you for your support and encouragement during the past year. The following is a report of our operating results for 2022 and outlook for 2023.

I. 2022 operating results

(I) Business plan implementation results

The Company's net operating income of the parent company for 2022 was NT\$5,574,513 thousand, a decrease of NT\$1,145,582 thousand, or 25.87% compared to the net operating income of the parent company of NT\$4,428,931 thousand for 2021; the profit after tax of the parent company for 2022 was NT\$881,575 thousand, a decrease of NT\$261,537 thousand, or 42.18% compared to the profit after tax of NT\$620,038 thousand of the parent company for 2021.

In 2021, revenue declined due to the COVID-19 pandemic affecting the Vietnamese factory. In 2022, the production capacity returned to normal, resulting in a growth in revenue from the previous year.

The increase in net profit after tax was not only due to an increase in operating income, but also due to the depreciation of the New Taiwan dollar, resulting in an exchange gain of approximately NT\$164,737 thousand, resulting in a significant increase in the net profit for 2022 from that in the previous year.

(II) Budget implementation

The company budget implementation in 2022:

Unit: NT\$ thousand

Contents	2022		
	Amount of budget	Amount audited	Achievement rate (%)
Net operating income	6,226,000	5,574,513	89.54
Operating costs	5,167,580	4,657,197	90.12
Realized gains realized by affiliated companies	-	(2,376)	-
Net gross profit	1,058,420	914,940	86.44
Operating expenses	285,000	333,458	117.00
Operating profit	773,420	581,482	75.18
Non-operating income	390,555	514,819	131.82
Profit before tax for the period	1,163,975	1,096,301	94.19
Profit after tax for the period	931,180	881,575	94.67
EPS before tax	14.18	13.39	94.40
EPS after tax	11.35	10.77	94.89

(III) Analysis of income, expenditures, and profitability:

Unit: NT\$ thousand

Contents		2022	2021	Increase/ Decrease (%)
Income and expenditure	Parent company net operating income	5,574,513	4,428,931	25.87
	Parent company net gross profit	914,940	781,070	17.14
	Parent company profit after tax	881,575	620,038	42.18

(IV) Research and development

In 2022, our research and development focused on projects of “development of ultra-high power long-life batteries”, “research on long cycle life lead carbon electrode batteries”, “technology development for mass production of long-life stop start batteries”, “development of backup batteries for cloud data center base stations”, and “development of high-temperature batteries for outdoor stations”.

“Development of ultra-high power long-life batteries” - in response to the rise of home office and delivery markets driven by COVID-19, the demand for IDC (Internet Data Center) backups has increase drastically. Therefore, the development for this year’s battery technology focused on “ultra-high power” and “long float life”. The development of the WXL series products was completed this year for customers.

Alongside the development trend of energy issues around the world, there are more and more applications for renewable energy and energy stations. Based on this, the research and development this year focused on the “development of lead-carbon batteries for deep recycling green energy applications” and “research on long cycle life lead-carbon electrode batteries”. The initial research results show that the lead-carbon composite electrode has significantly improved the cycle life, which will be gradually applied in 2023 in green energy stations and energy storage stations.

With the introduction of 5G systems around the world coupled with the fact that cold room operations in SMR systems for carbon reduction applications are to be eliminated, the “development of backup batteries for cloud data centers” and the “development of high-temperature batteries for outdoor base stations” have become paramount. The development focused on the optimization of the

material and process formula for high-temperature batteries.

II. Summary of the 2023 Business Plan

(I) Business policy

1. To improve gross margin and own brand market share, we will focus on 3 cores: new product development, net market expansion and own brand management. We will continue to make an effort to introduce automation and continuous production equipment while optimizing CAD/CAM and anti-dulling design and site proposal improvement. With advanced quality control, we will increase production efficiency, quality control and customer satisfaction. To save manpower, we will review and improve production line flow and line rationalization and introduce automated production lines. Meanwhile, we will improve high energy-consuming equipment and related energy saving and recycling and energy management system in the process. By constantly maintaining our manufacturing strengths with our excellent product quality, we vow to enhance production efficiency and productivity, further expanding production capacity.
2. We will make an effort to invest in industrial, telecommunication base stations and cloud platforms, green energy storage batteries (including high heat-resistant batteries, gel batteries, lead carbon batteries), long life batteries, electric vehicle batteries (LEV, mobility scooters, golf cars, forklifts, electric forklift), motorcycle batteries (including stop start batteries), and automobile MF market and yacht batteries. We will also proactively participate in domestic and foreign large-scale public constructions, government procurement, Internet communications, telecommunications, data centers and other tenders, while focusing on new product development.
3. We will expend the visibility of our own brand and global market share and increase the development of new markets and customers.
4. A team learning model will be built in Vietnam to accelerate the development of local talent and cadres with high education. We also provide highly efficient, stable and quality talent resources to companies with our effective cross-unit communication platform and complete career planning.
5. In response to the needs of customers and industry, we will carry out product improvement and cost control while continuing to vertically integrate the supply chain to achieve cost rationalization

of products from production and sales.

6. We will implement an environmental safety and health system and commit to meeting and complying domestic and foreign environmental safety and health as well as related law and regulations. We are dedicated to maintaining sound corporate governance by rigorously abiding by business ethics, promoting shareholder rights and interests, and strengthening information transparency to expand social responsibilities with our core corporate value.
7. In response to COVID-19, we performed a risk assessment and response so that our business and operations are able to continue to function, minimizing the possible risks and impacts on our business.
8. We promote the international carbon reduction process of ESG “net zero”. We achieve the targets for emission reduction by organizing the direct emissions and indirect energy emissions in the location where we operate and manufacture, jointly facing climate change.

(II) Expected sales and their basis

Thanks to the growing economy and the expansion of the market for automobiles, motorcycles and electric vehicles in Vietnam, the demand for the Company’s lead-acid batteries in the assembly plant and repair market channels remains thriving. In response to motorcycle stop start batteries developed by a large Japanese motorcycle manufacturer, we continue to increase the approved specifications with stable quality and will enter Japan’s procurement supply chain to increase our shipment volume. In addition, we have been engaging ourselves in the local telecommunications base station in Vietnam and we are gradually gaining market share in the light electric vehicle market. The local sales of our subsidiary, Le Long Vietnam, are expected to grow with a steady pace. The demand for renewable energy and green energy storage is constantly increasing, in particular large long-life batteries. By investing in domestic and foreign as well as local large tenders in Vietnam, the market penetration rate and share of the Company’s products will be largely increased. In addition to working closely with existing customers, we will also deploy and develop new markets and customers.

As the demand for large batteries has increased, the sales volume for 2023 is projected at approximately 21,916 thousand units.

(III) Important production and marketing policies

1. Production policy

- (1) Process improvement will be continuously conducted and new automated equipment introduced in De He Vietnam.
- (2) According to the customer's application needs, we are committed to developing yacht, forklift, and large sealed batteries, high cost performance batteries and green energy storage batteries to reduce production costs and increase gross profit.
- (3) We continue implementing energy saving measures, introducing solar power generation systems for self-power generating and self-use, and controlling high energy-consuming equipment, while implementing control, monitoring, and management of the manufacturing process to conduct effective energy management, in order to reduce the energy consumption rate.
- (4) We follow the Guidelines for Continuous Operations in Response to COVID-19 and COVID-19 policies and measures to achieve maximum benefits for individuals and workplace hygiene management while reducing the risk of possible employee exposure in the workplace.

2. Sales policy

- (1) We will proactively invest in tenders in large scale battery applications such as telecommunication base stations and cloud platforms, green energy storage batteries, long life batteries, electric vehicle batterie (LEV, mobility scooters, golf cars, forklifts, electric forklift), motorcycle batteries (including stop start batteries), and sales of green energy storage batteries and yacht batteries.
- (2) We will continue to increase the market share of our brands for motorcycles (including stop start batteries), automobiles and electric vehicles, while proactively developing the Vietnam and ASEAN markets.
- (3) Capture the market for security surveillance, uninterruptible power supplies (UPS) and car rescue tarter batteries with cost rationalization and high performance batteries.
- (4) By taking into account the risk of customer concentration, we work hard to expand new customers and markets to expand our global market share, with emphasis on the Middle East, Eastern Europe, Central and South America, Africa, Australia, and the ASEAN region.
- (5) We adjust the selling price according to the fluctuation for

lead prices and establish fair trade approaches. Our pricing strategy is adjusted in a timely manner according to different markets so as to maintain our international competitiveness.

- (6) We will continue to promote our own brands to establish segmentation of our products, becoming a provider of quality products and services.

III. The Company's future development strategy

With our top-class process technology and pragmatic management approach, we continue to invest in the research and development of formulas for better performance and longer life of lead-acid batteries, as well as the research of new high-end materials for high heat-resistant batteries and lead-carbon batteries and new process technology for the continuous production of electrode plates.

Based on the Company's "quality first, customer first" policy, we will work hard to achieve the goal of quality and quantity improvement in this global competitive environment in order to deliver results and reach steady growth.

IV. The impact of the external competitive environment, the regulatory environment and the overall business environment

Looking ahead to the year 2023, the world is entering a post pandemic era; however, in the context of overall price increases and intensified inflation, major economic research institutions around the world expect a slight slowdown in the coming year. The overall economy remains difficult and challenging. In this economic environment, Kung Long will actively develop potential markets in South Asia, Southeast Asia, Africa, and the Middle East. In addition, we will expand the market for yacht batteries and forklift batteries, and expand the sales of high-density, long-life batteries, and high-power batteries that have been recognized by customers for their quality. As Vietnam's economic growth has gradually recovered and turned strong, under the policy of coexisting with the virus in the post pandemic era, it is expected that the local battery market will have a relatively high growth rate, and it is even expected to recover to the situation before the pandemic. As Vietnam's production capacity increases, the Company will strengthen cost and expense control; with its core competitiveness such as international division of labor, innovative research and development, and a stable business strategy, the Company will present excellent results to customers on time and accuracy, and continue its growing business performance.

Thank you
I wish you all

good health and best of luck

Chairman:
Lee Yao-Min

Company officer:
Lee Jui-Chun

Chief Accounting Officer:
Liu Huang-Wei

Kung Long Batteries Industrial Co., Ltd.

Audit Committee's Review Report

The Board of Directors prepared the Company's 2022 business report and annual financial statements (including parent company only financial report and consolidated financial report). Among them, the annual financial report was audited by CPAs Hsu, Chien-Yeh and Wu, Sung-Yuan of PwC Taiwan as commissioned by the Board of Directors. The reports were considered adequate to present the financial results and cash flow of the Company, with an audit report issued with unqualified opinion and other matter paragraph thereafter. The business report, annual financial reports and earnings distribution motion as stated above have been audited by the Audit Committee with no discrepancy found. We have presented you the reports based on the provisions stipulated in Article 14-4 in the Securities and Exchange Act and Article 219 in the Company Act.

To

2023 Annual General Meeting of Shareholders of Kung Long Batteries Industrial Co., Ltd.

Kung Long Batteries Industrial Co., Ltd.

Convener of the Audit Committee: Wang Cho-Chun

March 24, 2023

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of
Kung Long Batteries Industrial Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Kung Long Batteries Industrial Co., Ltd. (the “Company”) as at December 31, 2022 and 2021, 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 financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other matter* section), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by 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. Based on our audits and the reports of other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2022 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.

Revenue recognition timing

Description

Refer to Note 4(25) for accounting policies on revenue. For the year ended December 31, 2022, the Company's operating revenue was NT\$ 5,574,513 thousand.

The Company is primarily engaged in the manufacture and sales of lead-acid batteries. The sales channels of products are located globally and sales to customers involve different kinds of transaction terms, which are based on the transaction terms agreed upon by individual customers. Depending on the different transaction terms, control of the goods is transferred only when the goods have been shipped or delivered, and the shipment date or delivery date is used as revenue recognition timing in accordance with the transaction terms. Certain processes of revenue recognition often involves a high degree of manual judgment and operations, which may result in revenue recognition not being properly recorded in the correct period. As the aforementioned issues also applied to the subsidiaries held by the Company, which are accounted for under equity method, thus, we consider revenue recognition timing of the Company and subsidiaries as a key audit matter.

How our audit addressed the matter

We performed the following key audit procedures in respect of the above key audit matter:

1. Obtained an understanding and assessing on the process and internal controls of sales transactions and tested the effectiveness of the controls.
2. Verified the Company's sales transactions around the balance sheet date to check whether revenues are recorded in the correct period. We also tested whether changes in inventory were recorded in the proper period in order to assess the appropriateness of revenue recognition timing.
3. Performed confirmation procedures and substantive test on the ending balance of accounts receivable, and checked whether accounts receivable and sales revenue have been recorded in the proper period in order to assess the reasonableness of the sales revenue recognition timing.

Assessment of allowance for inventory valuation losses

Description

Refer to Note 4(13) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions related to inventory valuation, and Note 6(6) for description of allowance for inventory valuation losses. As of December 31, 2022, the balances of inventory and allowance for inventory valuation losses were NT\$ 388,449 thousand and NT\$ 1,013 thousand, respectively.

The Company is primarily engaged in the manufacture and sales of lead-acid batteries. Inventories aged over a certain period of time and individually identified as obsolete inventories are measured at the lower of cost and net realisable value and provided allowance for inventory valuation losses based on individually identified reasonable net realizable value and usable condition of obsolete or slow-moving inventories. As the aforementioned issues also applied to the subsidiaries held by the Company which are accounted for under equity method. Considering the inventory and allowance for inventory valuation losses were material to the consolidated financial statements and the determination of net realisable value as at the balance sheet date for inventory valuation involved judgments and estimates, thus, we considered assessment of allowance for inventory valuation loss of the Company and subsidiaries as a key audit matter.

How our audit addressed the matter

We performed the following key audit procedures in respect of the above key audit matter:

1. Obtained an understanding of the Company's operation and the consistency of the related accounting policies. Assessed the reasonableness of accounting policies and procedures on allowance for inventory valuation losses.
2. Obtained an understanding of the Company's warehousing control procedures, reviewed the annual physical inventory stocktaking plan and observed the process of stocktaking, in order to assess the classification of obsolete inventory and effectiveness of obsolete inventory internal control.
3. Verified the accuracy of inventory aging reports which was used in valuation, recalculated and assessed the reasonableness of allowance for inventory valuation losses, in order to ensure that the information on the report was consistent with its policy.
4. Obtained evaluation data of the inventory costs and net realisable value which was compiled by

management, randomly checked separate inventory against vouchers of purchases and sales and its records, and checked the calculation accuracy of the report, in order to assess the basis and reasonableness of net realisable value.

Other matter – Reference to the audits of other auditors

We did not audit the financial statements of the investee company, Kung Tay Viet Nam Co., Ltd. which are accounted for under the equity method. The balance of these investments accounted for under the equity method amounted to NT\$409,119 thousand and NT\$354,590 thousand, constituting 7.16% and 7.33% of total assets as of December 31, 2022 and 2021, respectively, and comprehensive income was NT\$57,905 thousand and NT\$38,256 thousand, constituting 5.16% and 6.32% of total comprehensive income for the years then ended, respectively. The financial statements of these investees were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts and the information disclosed in Note 13 included in the financial statements relative to the investee company is based solely on the audit reports of the other auditors.

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 maintain professional skepticism throughout the audit. We also:

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

represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements 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.

Hsu, Chien-Yeh

Wu, Sung-Yuan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 24, 2023

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.

KUNG LONG BATTERIES INDUSTRIAL CO.,LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,245,002	22	\$ 846,732	18
1110	Financial assets at fair value through profit or loss - current	6(2)	11,326	-	73,018	2
1150	Notes receivable, net	6(5)	37,516	-	19,657	1
1170	Accounts receivable, net	6(5)	560,135	10	545,189	11
1180	Accounts receivable - related parties	7(2)	-	-	19,948	-
1200	Other receivables		1,655	-	7,413	-
130X	Inventories	6(6)	387,436	7	162,193	3
1470	Other current assets		1,716	-	1,645	-
11XX	Current Assets		<u>2,244,786</u>	<u>39</u>	<u>1,675,795</u>	<u>35</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	55,822	1	72,272	1
1535	Non-current financial assets at amortised cost	6(4)	50,000	1	50,000	1
1550	Investments accounted for under equity method	6(7)	3,155,671	55	2,766,942	57
1600	Property, plant and equipment	6(8)	120,486	2	124,943	3
1760	Investment property - net	6(9)	51,636	1	52,073	1
1840	Deferred income tax assets	6(25)	32,984	1	99,266	2
1900	Other non-current assets		4,323	-	2,487	-
15XX	Non-current assets		<u>3,470,922</u>	<u>61</u>	<u>3,167,983</u>	<u>65</u>
1XXX	Total assets		<u>\$ 5,715,708</u>	<u>100</u>	<u>\$ 4,843,778</u>	<u>100</u>

(Continued)

KUNG LONG BATTERIES INDUSTRIAL CO.,LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(10)	\$ 3,000	-	\$ 40,000	1
2150	Notes payable		9,324	-	4,776	-
2170	Accounts payable		27,008	1	28,974	1
2180	Accounts payable - related parties	7(2)	245,125	4	-	-
2200	Other payables	6(11)	173,728	3	144,390	3
2230	Current income tax liabilities		433,219	8	365,022	7
2300	Other current liabilities	6(18)	62,558	1	63,814	1
21XX	Current Liabilities		<u>953,962</u>	<u>17</u>	<u>646,976</u>	<u>13</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(25)	394,560	7	380,736	8
2600	Other non-current liabilities	6(12)	22,370	-	29,201	1
25XX	Non-current liabilities		<u>416,930</u>	<u>7</u>	<u>409,937</u>	<u>9</u>
2XXX	Total Liabilities		<u>1,370,892</u>	<u>24</u>	<u>1,056,913</u>	<u>22</u>
Equity						
Share capital						
3110	Share capital - common stock	6(14)	820,664	14	820,664	17
Capital surplus						
3200	Capital surplus	6(15)	701,951	12	701,951	15
Retained earnings						
3310	Legal reserve	6(16)	1,019,359	18	956,785	20
3320	Special reserve		195,134	3	184,799	4
3350	Unappropriated retained earnings		1,558,563	27	1,317,801	27
Other equity interest						
3400	Other equity interest	6(17)	49,145	2	(195,135)	(5)
3XXX	Total equity		<u>4,344,816</u>	<u>76</u>	<u>3,786,865</u>	<u>78</u>
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 5,715,708</u>	<u>100</u>	<u>\$ 4,843,778</u>	<u>100</u>

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

KUNG LONG BATTERIES INDUSTRIAL CO.,LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	Year ended December 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(18)	\$ 5,574,513	100	\$ 4,428,931	100
5000 Operating costs	6(6)	(4,657,197)	(83)	(3,644,056)	(82)
5900 Net operating margin		917,316	17	784,875	18
5910 Unrealized profit from sales	7(2)	(2,376)	-	(3,805)	-
5950 Net operating margin		914,940	17	781,070	18
Operating expenses	6(23)(24)				
6100 Selling expenses		(237,718)	(4)	(141,982)	(3)
6200 General and administrative expenses		(84,120)	(2)	(71,110)	(2)
6300 Research and development expenses		(11,620)	-	(10,541)	-
6000 Total operating expenses		(333,458)	(6)	(223,633)	(5)
6900 Operating profit		581,482	11	557,437	13
Non-operating income and expenses					
7100 Interest income	6(19)	4,730	-	2,267	-
7010 Other income	6(20)	10,410	-	11,163	-
7020 Other gains and losses	6(21)	175,017	3	10,105)	-
7050 Finance costs	6(22)	(199)	-	(481)	-
7070 Share of profit of associates and joint ventures accounted for using equity method, net	6(7)				
		324,861	6	215,976	5
7000 Total non-operating income and expenses		514,819	9	218,820	5
7900 Profit before income tax		1,096,301	20	776,257	18
7950 Income tax expense	6(25)	(214,726)	(4)	(156,219)	(4)
8200 Profit for the year		\$ 881,575	16	\$ 620,038	14
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(12)	\$ 6,621	-	\$ 7,124	-
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(17)	(16,450)	-	45,184	1
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	(1,324)	-	(1,425)	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		(11,153)	-	50,883	1
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Other comprehensive income, before tax, exchange differences on translation	6(17)	324,228	5	(80,562)	(2)
8367 Unrealised gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	6(17)	(7,344)	-	(34)	-
8399 Income tax relating to the components of other comprehensive income	6(17)(25)	(64,845)	(1)	16,112	1
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss		252,039	4	(64,484)	(1)
8300 Other comprehensive income (loss) for the year		\$ 240,886	4	(\$ 13,601)	-
8500 Total comprehensive income for the year		\$ 1,122,461	20	\$ 606,437	14
Basic earnings per share	6(26)				
9750 Basic earnings per share		\$ 10.77		\$ 7.58	
9850 Diluted earnings per share		\$ 10.72		\$ 7.53	

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

KUNG LONG BATTERIES INDUSTRIAL CO.,LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained Earnings					Total equity
		Share capital - common stock	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	
<u>2021</u>							
Balance at January 1		\$ 820,684	\$ 702,215	\$ 868,963	\$ 14,770	\$ 1,768,271	\$ 3,990,104
Profit for the year		-	-	-	-	620,038	620,038
Other comprehensive income (loss)	6(3)(12)(17)	-	-	-	-	5,699	(13,601)
Total comprehensive income (loss)		-	-	-	-	625,737	606,437
Appropriation and distribution of 2020 earnings: 6(16)		-	-	-	-	(19,300)	(19,300)
Legal reserve		-	-	87,822	-	(87,822)	-
Special reserve		-	-	-	170,029	(170,029)	-
Cash dividends		-	-	-	-	(818,356)	(818,356)
Share-based payments	6(13)(15)	(20)	(264)	-	-	-	8,964
Balance at December 31		\$ 820,664	\$ 701,951	\$ 956,785	\$ 184,799	\$ 1,317,801	\$ 3,786,865
<u>2022</u>							
Balance at January 1		\$ 820,664	\$ 701,951	\$ 956,785	\$ 184,799	\$ 1,317,801	\$ 3,786,865
Profit for the year		-	-	-	-	881,575	881,575
Other comprehensive income	6(3)(12)(17)	-	-	-	-	5,297	240,886
Total comprehensive income		-	-	-	-	886,872	1,122,461
Appropriation and distribution of 2021 earnings: 6(16)		-	-	-	-	-	-
Legal reserve		-	-	62,574	-	(62,574)	-
Special reserve		-	-	-	10,335	(10,335)	-
Cash dividends		-	-	-	-	(573,201)	(573,201)
Share-based payments	6(13)(15)	-	-	-	-	-	8,691
Balance at December 31		\$ 820,664	\$ 701,951	\$ 1,019,359	\$ 195,134	\$ 1,558,563	\$ 4,344,816

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

KUNG LONG BATTERIES INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,096,301	\$ 776,257
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(8)(9)(23)	7,057	7,172
Amortisation charge	6(23)	900	765
Gain on financial assets at fair value through profit or loss, mandatorily measured at fair value	6(2)(21)	(10,717)	(9,787)
Gains on disposals of investments	6(21)	-	(1,760)
Compensation cost of employee restricted shares	6(13)(19)	8,691	8,702
Interest income	6(19)	(4,730)	(2,267)
Dividend income	6(20)	(5,373)	(2,038)
Finance costs	6(22)	199	481
Share of profit (loss) of subsidiaries accounted for under equity method	6(7)	(324,861)	(215,976)
Unrealised (gain) loss on inter-affiliate accounts	7(2)	2,376	3,805
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss, mandatorily measured at fair value		72,409	(23,297)
Notes receivable, net		(17,859)	18,075
Accounts receivable, net		(14,946)	192,793
Accounts receivable - related parties		19,948	(19,948)
Inventories		(225,243)	63,406
Other receivables		5,758	(5,010)
Other current assets		(71)	3,018
Changes in operating liabilities			
Notes payable		4,548	(3,501)
Accounts payable		(1,966)	(19,804)
Accounts payable to related parties		245,125	(637,965)
Other payables		29,344	(39,566)
Other current liabilities		(1,256)	(8,708)
Other non-current liabilities		(210)	(348)
Cash inflow generated from operations		885,424	84,499
Interest received		4,730	2,267
Interest paid		(205)	(475)
Income taxes paid		(132,592)	(75,108)
Dividends received		5,373	2,038
Net cash flows from operating activities		<u>762,730</u>	<u>13,221</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchase of property, plant and equipment	6(8)	(2,163)	(650)
Increase in other non-current assets		(2,736)	(1,008)
Acquisition of cash dividends from investments accounted for using equity method		250,640	221,920
Net cash flows from investing activities		<u>245,741</u>	<u>220,262</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Changes in short-term borrowings	6(27)	(37,000)	40,000
(Decrease) increase in guarantee deposits received		-	100
Cash dividends paid	6(16)(27)	(573,201)	(818,356)
Retirement of employees' restricted stock	6(14)	-	20
Net cash flows used in financing activities		(610,201)	(778,276)
Net increase (decrease) in cash and cash equivalents		398,270	(544,793)
Cash and cash equivalents at beginning of year		846,732	1,391,525
Cash and cash equivalents at end of year		<u>\$ 1,245,002</u>	<u>\$ 846,732</u>

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of
Kung Long Batteries Industrial Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Kung Long Batteries Industrial Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2022 and 2021, 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 significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other matter* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, 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 Auditing and Attestation of Financial Statements by 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 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. Based on our audits and the reports of other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our

audit of the Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the the Group financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The Group's key audit matters of consolidated financial statement for the year ended December 31, 2022 are as follows:

Revenue recognition timing

Description

Refer to Note 4(28) for accounting policies on sales revenue. For the year ended December 31, 2022, the Group's consolidated operating revenue was NT\$ 7,318,728 thousand.

The Group is primarily engaged in the manufacture and sales of lead-acid batteries. The sales channels of products are located globally and sales to customers involve different kinds of transaction terms, which are based on the transaction terms agreed upon by individual customers. Depending on the different transaction terms, control of the goods is transferred only when the goods have been shipped or delivered, and the shipment date or delivery date is used as revenue recognition timing in accordance with the transaction terms. Certain processes of revenue recognition often involves a high degree of manual judgment and operations, which may result in revenue recognition not being properly recorded in the correct period. We consider revenue recognition timing as a key audit matter.

How our audit addressed the matter

We performed the following key audit procedures in respect of the above key audit matter:

1. Obtained an understanding and assessed the process and internal controls of sales transactions and tested the effectiveness of the controls.
2. Verified the Group's sales transactions around balance sheet date to check whether revenues are recorded in the correct period. We also tested whether changes in inventory were recorded in the proper period in order to assess the appropriateness of revenue recognition timing.
3. Performed confirmation procedures and substantive test on the ending balance of accounts receivable, and checked whether accounts receivable and sales revenue have been recorded in the proper period and the timing met the criteria of revenue recognition.

Assessment of allowance for inventory valuation losses

Description

Refer to Note 4(14) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions related to inventory valuation, and Note 6(6) for detailed information on inventory. As of December 31, 2022, the total amount of inventory and allowance for inventory valuation losses were NT\$ 2,171,787 thousand and NT\$ 65,405 thousand, respectively.

The Group is primarily engaged in the manufacture and sales of lead-acid batteries. Inventories aged over a certain period of time and separately recognised as obsolete inventories are measured at the lower of cost and net realisable value and provided allowance for inventory valuation losses based on individually identified reasonable net realizable value and usable condition of obsolete or slow-moving inventories. Considering the inventory and allowance for inventory valuation losses were material to the financial statements and the determination of net realisable value as at the balance sheet date for inventory valuation involved judgments and estimates, thus, we considered assessment of allowance for inventory valuation loss as a key audit matter.

How our audit addressed the matter

We performed the following key audit procedures in respect of the above key audit matter:

1. Obtained an understanding of the Group's operation and the consistency of the related accounting policies. Assessed the reasonableness of accounting policies and procedures on allowance for inventory valuation losses.
2. Obtained an understanding of the Group's warehousing control procedures, reviewed the annual physical inventory stocktaking plan and observed the process of stocktaking, in order to assess the classification of obsolete inventory and effectiveness of obsolete inventory internal control.
3. Verified the accuracy of inventory aging reports which was used in valuation, recalculated and assessed the reasonableness of allowance for inventory valuation losses, in order to ensure that the information on the report was consistent with its policy.
4. Obtained evaluation data of the inventory costs and net realisable value which was compiled by management, randomly checked separate inventory against sales certificates and records, and checked the calculation accuracy of the report, in order to assess the basis and reasonableness of net realisable value.

Other matter – Reference to the audits of other auditors

We did not audit the financial statements of subsidiary, Kung Tay Viet Nam Co., Ltd. which was audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these subsidiaries and the information disclosed in Note 13, is based solely on the reports of the other auditors. Total assets of the subsidiary amounted to NT\$430,603 thousand and NT\$379,761 thousand, constituting 7.37% and 7.23% of the consolidated total assets as at December 31, 2022 and 2021, respectively, and the operating revenue amounted to NT\$342,901 thousand and NT\$276,267 thousand, constituting 4.69% and 4.77% of the consolidated total operating revenue for the years then ended, respectively.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Kung Long Batteries Industrial Co., Ltd. as at and for the years ended December 31, 2022 and 2021.

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 maintain professional skepticism throughout the audit. We also:

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

Hsu, Chien-Yeh

Wu, Sung-Yuan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 24, 2023

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.

KUNG LONG BATTERIES INDUSTRIAL CO.,LTD AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,719,852	29	\$ 1,329,030	25
1110	Financial assets at fair value through profit or loss - current	6(2)	11,326	-	73,018	1
1136	Current financial assets at amortised cost	6(4)	84,760	1	76,397	2
1150	Notes receivable, net	6(5)	37,516	1	19,657	-
1170	Accounts receivable, net	6(5)	732,079	13	679,717	13
130X	Inventories	6(6)	2,106,382	36	1,858,515	35
1410	Prepayments		48,313	1	31,962	1
1470	Other current assets		38,433	1	56,829	1
11XX	Current Assets		<u>4,778,661</u>	<u>82</u>	<u>4,125,125</u>	<u>78</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	83,300	1	103,655	2
1535	Non-current financial assets at amortised cost	6(4)	50,130	1	50,000	1
1600	Property, plant and equipment	6(7)	742,867	13	751,296	14
1755	Right-of-use assets	6(8)	49,587	1	46,633	1
1760	Investment property - net	6(9)	51,636	1	52,073	1
1780	Intangible assets		2,442	-	613	-
1840	Deferred income tax assets	6(27)	33,028	-	99,271	2
1900	Other non-current assets	6(10)	53,990	1	26,212	1
15XX	Non-current assets		<u>1,066,980</u>	<u>18</u>	<u>1,129,753</u>	<u>22</u>
1XXX	Total assets		<u>\$ 5,845,641</u>	<u>100</u>	<u>\$ 5,254,878</u>	<u>100</u>

(Continued)

KUNG LONG BATTERIES INDUSTRIAL CO.,LTD AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 3,000	-	\$ 40,000	1
2150	Notes payable		9,324	-	4,776	-
2170	Accounts payable		265,337	5	324,646	6
2200	Other payables	6(12)	275,354	5	232,871	5
2230	Current income tax liabilities		459,146	8	383,128	7
2250	Provisions for liabilities - current	6(14)	8,218	-	7,625	-
2300	Other current liabilities	6(20)	63,385	1	64,912	1
21XX	Current Liabilities		<u>1,083,764</u>	<u>19</u>	<u>1,057,958</u>	<u>20</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(27)	394,560	7	380,736	7
2600	Other non-current liabilities	6(13)	22,501	-	29,319	1
25XX	Non-current liabilities		<u>417,061</u>	<u>7</u>	<u>410,055</u>	<u>8</u>
2XXX	Total Liabilities		<u>1,500,825</u>	<u>26</u>	<u>1,468,013</u>	<u>28</u>
Equity attributable to owners of parent						
	Share capital	6(16)				
3110	Share capital - common stock		820,664	14	820,664	16
	Capital surplus	6(17)				
3200	Capital surplus		701,951	11	701,951	13
	Retained earnings	6(18)				
3310	Legal reserve		1,019,359	17	956,785	18
3320	Special reserve		195,134	3	184,799	4
3350	Unappropriated retained earnings		1,558,563	27	1,317,801	25
	Other equity interest	6(19)				
3400	Other equity interest		49,145	2	(195,135)	(4)
31XX	Equity attributable to owners of the parent		<u>4,344,816</u>	<u>74</u>	<u>3,786,865</u>	<u>72</u>
3XXX	Total equity		<u>4,344,816</u>	<u>74</u>	<u>3,786,865</u>	<u>72</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 5,845,641</u>	<u>100</u>	<u>\$ 5,254,878</u>	<u>100</u>

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

KUNG LONG BATTERIES INDUSTRIAL CO., LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

Items	Notes	Year ended December 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(20)	\$ 7,318,728	100	\$ 5,797,748	100
5000 Operating costs	6(6)	(5,793,008)	(79)	(4,577,166)	(79)
5900 Net operating margin		<u>1,525,720</u>	<u>21</u>	<u>1,220,582</u>	<u>21</u>
Operating expenses	6(25)(26)				
6100 Selling expenses		(323,548)	(4)	(205,810)	(3)
6200 General and administrative expenses		(216,305)	(3)	(185,088)	(3)
6300 Research and development expenses		(44,348)	(1)	(35,067)	(1)
6000 Total operating expenses		<u>(584,201)</u>	<u>(8)</u>	<u>(425,965)</u>	<u>(7)</u>
6900 Operating profit		<u>941,519</u>	<u>13</u>	<u>794,617</u>	<u>14</u>
Non-operating income and expenses					
7100 Interest income	6(21)	12,546	-	8,841	-
7010 Other income	6(22)	12,115	-	13,269	-
7020 Other gains and losses	6(23)	211,384	3	1,548	-
7050 Finance costs	6(24)	(227)	-	(738)	-
7000 Total non-operating income and expenses		<u>235,818</u>	<u>3</u>	<u>22,920</u>	<u>-</u>
7900 Profit before income tax		<u>1,177,337</u>	<u>16</u>	<u>817,537</u>	<u>14</u>
7950 Income tax expense	6(27)	(295,762)	(4)	(197,499)	(4)
8200 Profit for the year		<u>\$ 881,575</u>	<u>12</u>	<u>\$ 620,038</u>	<u>10</u>
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Gains on remeasurements of defined benefit plans	6(13)	\$ 6,621	-	\$ 7,124	-
8316 Total expenses, by nature	6(3)(19)	(16,450)	-	(45,184)	(1)
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)	(1,324)	-	(1,425)	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		<u>(11,153)</u>	<u>-</u>	<u>50,883</u>	<u>1</u>
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations	6(19)	324,228	4	(80,562)	(1)
8367 Unrealised gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	6(3)(19)	(7,344)	-	(34)	-
8399 Income tax relating to the components of other comprehensive income	6(19)(27)	(64,845)	(1)	16,112	-
8360 Components of other comprehensive income that will be reclassified to profit or loss		<u>252,039</u>	<u>3</u>	<u>(64,484)</u>	<u>(1)</u>
8300 Other comprehensive income (loss) for the year		<u>\$ 240,886</u>	<u>3</u>	<u>(\$ 13,601)</u>	<u>-</u>
8500 Total comprehensive income for the year		<u>\$ 1,122,461</u>	<u>15</u>	<u>\$ 606,437</u>	<u>10</u>
Profit, attributable to:					
8610 Owners of the parent		<u>\$ 881,575</u>	<u>12</u>	<u>\$ 620,038</u>	<u>10</u>
Comprehensive income attributable to:					
8710 Owners of the parent		<u>\$ 1,122,461</u>	<u>15</u>	<u>\$ 606,437</u>	<u>10</u>
Basic earnings per share	6(28)				
9750 Total basic earnings per share		<u>\$ 10.77</u>		<u>\$ 7.58</u>	
9850 Total diluted earnings per share		<u>\$ 10.72</u>		<u>\$ 7.53</u>	

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

KUNG LONG BATTERIES INDUSTRIAL CO., LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Equity attributable to owners of the parent							Total equity
		Share capital - common stock	Total capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations		
2021									
Balance at January 1		\$ 820,684	\$ 702,215	\$ 868,963	\$ 14,770	\$ 1,768,271	(\$ 184,799)	\$ 3,990,104	
Profit for the year		-	-	-	-	620,038	-	620,038	
Other comprehensive income (loss)	6(3)(13)(19)	-	-	-	-	5,699	(19,300)	(13,601)	
Total comprehensive income (loss)		-	-	-	-	625,737	(19,300)	606,437	
Appropriation and distribution of 2020 earnings	6(18)	-	-	-	-	-	-	-	
Legal reserve		-	-	87,822	-	(87,822)	-	-	
Special reserve		-	-	-	170,029	(170,029)	-	-	
Cash dividends		-	-	-	-	(818,356)	-	(818,356)	
Share-based payments	6(15)(19)	(20)	(264)	-	-	-	8,964	8,680	
Balance at December 31		\$ 820,664	\$ 701,951	\$ 956,785	\$ 184,799	\$ 1,317,801	(\$ 195,135)	\$ 3,786,865	
2022									
Balance at January 1		\$ 820,664	\$ 701,951	\$ 956,785	\$ 184,799	\$ 1,317,801	(\$ 195,135)	\$ 3,786,865	
Profit for the year		-	-	-	-	881,575	-	881,575	
Other comprehensive income	6(3)(13)(19)	-	-	-	-	5,297	235,589	240,886	
Total comprehensive income		-	-	-	-	886,872	235,589	1,122,461	
Appropriation and distribution of 2021 earnings	6(18)	-	-	-	-	-	-	-	
Legal reserve		-	-	62,574	-	(62,574)	-	-	
Special reserve		-	-	-	10,335	(10,335)	-	-	
Cash dividends		-	-	-	-	(573,201)	-	(573,201)	
Share-based payments	6(15)(19)	-	-	-	-	-	8,691	8,691	
Balance at December 31		\$ 820,664	\$ 701,951	\$ 1,019,359	\$ 195,134	\$ 1,558,563	\$ 49,145	\$ 4,344,816	

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

KUNG LONG BATTERIES INDUSTRIAL CO.,LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,177,337	\$ 817,537
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(7)(8)(25)	144,306	147,471
Amortisation charge	6(25)	2,014	2,365
Gain on financial assets at fair value through profit or loss,	6(2)(23)	(10,717)	(9,787)
Gains on disposals of investments	6(23)	-	(1,760)
Gains on disposals of property, plant and equipment	6(23)	(122)	(369)
Compensation cost of employee restricted shares	6(15)(19)	8,691	8,702
Interest income	6(21)	(12,546)	(8,841)
Dividend income	6(22)	(5,373)	(2,038)
Finance costs	6(24)	227	738
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		72,409	(23,297)
Notes receivable, net		(17,859)	18,075
Accounts receivable, net		(52,376)	253,800
Inventories		(247,867)	(434,343)
Prepayments		(16,351)	6,422
Other current assets		18,396	(13,248)
Changes in operating liabilities			
Notes payable		4,548	(3,501)
Accounts payable		(59,309)	(1,959)
Other payables		41,076	(51,475)
Provisions		(241)	(122)
Other current liabilities		(1,527)	(10,489)
Other non-current liabilities		(210)	(7,368)
Cash inflow generated from operations		1,044,506	686,513
Interest received		12,546	8,841
Interest paid		(232)	(746)
Income taxes paid		(207,794)	(106,643)
Dividends received		5,373	2,038
Net cash flows from operating activities		<u>854,399</u>	<u>590,003</u>

(Continued)

KUNG LONG BATTERIES INDUSTRIAL CO.,LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost	6(4)	\$ -	(\$ 8,045)
Purchase of property, plant and equipment	6(29)	(88,415)	(28,218)
Proceeds from sales of property and equipment		183	369
Acquisition of financial assets at fair value through other comprehensive income	6(3)	-	(31,417)
Increase in guarantee deposits paid		-	121
Increase in other non-current assets		(8,002)	(196)
Net cash flows used in investing activities		(96,234)	(67,386)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Changes in short-term borrowings	6(30)	(37,000)	6,389
(Decrease) increase in guarantee deposits received	6(30)	12	(1,047)
Cash dividends paid	6(18)(30)	(573,201)	(818,356)
Retirement of employees' restricted stock	6(15)	-	(20)
Net cash flows used in financing activities		(610,189)	(813,034)
Effect of exchange rate changes		242,846	(32,890)
Net increase (decrease) in cash and cash equivalents		390,822	(323,307)
Cash and cash equivalents at beginning of year		1,329,030	1,652,337
Cash and cash equivalents at end of year		\$ 1,719,852	\$ 1,329,030

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

Kung Long Batteries Industrial Co., Ltd.
2022 Earnings Distribution Table

Item	金 額
Profit after tax for 2022	\$ 881,574,536
Add : Adjustmen the undistributed earnings for 2022	5,296,879
After adjustmen the undistributed earnings for 2022	886,871,415
Less : Setting aside legal reserve	(88,687,142)
Add : Return special reserve	195,134,422
Earnings available for distribution for 2022	993,318,695
Add : Undistributed earnings at opening	671,691,626
THE accumulated earnings available for distribution	1,665,010,321
Distribution Item :	
Shareholder bonus-Cash(NT\$10 per share)(Note)	(819,365,940)
The undistributed earnings at closing	\$ 845,644,381

Note1 : Regard to the Earning Distribution, Company distributes the 2022 undistributed earnings first. If it is insufficient, the available earnings accumulated in last year will be distributed first in first out according to the earnings generated year.

Note2 : Shareholder bonus - cash less than NT\$1 was recorded as other income of the Company.

Note3 : The Company's employees entitled to receive restricted stocks in accordance with the "Regulations for Issuance of Restricted Stocks", provided that they may not participate in the allotment of shares and dividends until the vesting conditions are met.

Note4 : If subsequently the number of the outstanding shares is affected by any change in the Company's share capital which results in a change in the shareholder dividend payout ratio, it is proposed that the chairman be authorized by the annual general meeting to handle the related matters.

Chairman:
Lee Yao-Min

Company officer:
Lee Jui-Chun

Chief Accounting Officer:
Liu Huang-Wei

Kung Long Batteries Industrial Co., Ltd.

Date of Amendment	2022/06/17	Rules of Procedure for Shareholders Meetings	Date of Formulation	2012/03/28
Edition	06		CSR99-001	1/12

1. For the purposes of building a system for good governance of the shareholders' meeting of the Company, ensuring its sound supervisory functions and strengthening its management capability, these Rules of Procedure (hereinafter referred to as the "Rules") has been established in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
2. Except as otherwise provided by law or the Articles of Incorporation, the rules of procedure for the shareholders' meeting of the Company shall be governed by these Rules.
3. A shareholders meeting shall, unless otherwise provided for by law, be convened by the Board of Directors.

Any change of the means for convening of a shareholders' meeting shall be resolved by the Board of Directors. The change shall be made at the latest prior to sending a letter of notification of shareholders' meeting.

The Company shall prepare electronic versions of the shareholders' meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders' meeting or before 15 days before the date of a special shareholders' meeting. The Company shall prepare electronic versions of the shareholders' meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders' meeting or before 15 days before the date of the special shareholders' meeting. If, however, the Company has the paid-in capital of NT\$10 billion or more as of the last day of the most current fiscal year, or total shareholding of foreign shareholders and PRC shareholders reaches 30% or more as recorded in the register of shareholders of the shareholders' meeting held in the immediately preceding year, transmission of these electronic files shall be made by 30 days before the regular shareholders' meeting. In addition, before 15 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 the shareholders to obtain and review at any time. The shareholders' meeting agenda handbook and supplemental materials under the preceding paragraph shall be provided for review by the shareholders by the following means on the date the shareholder's meeting is convened:

1. For physical shareholders' meetings, to be distributed on-site at the meeting.
2. For hybrid shareholders' meetings, to be distributed on-site at the meeting and shared on the virtual meeting platform.
3. For virtual-only shareholders' meetings, electronic files shall be shared on 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, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public

Kung Long Batteries Industrial Co., Ltd.

Date of Amendment	2022/06/17	Rules of Procedure for Shareholders Meetings	Date of Formulation	2012/03/28
Edition	06		CSR99-001	2/12

company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion. Where re-election of all directors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.

A shareholder holding one percent or more of the total number of issued shares may submit to the Company a proposal for discussion at a regular shareholders' meeting. The number of items so proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda. When the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda.

A shareholder may propose a recommendation for urging the Company to promote public interests or fulfill its social responsibilities, provided procedurally the number of items so proposed is limited only to one in accordance with Article 172-1 of the Company Act, and no proposal containing more than one item will be included in the meeting agenda.

Prior to the book closure date before a regular 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 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will 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 the shareholders' meeting the Board of Directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

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

Kung Long Batteries Industrial Co., Ltd.

Date of Amendment	2022/06/17	Rules of Procedure for Shareholders Meetings	Date of Formulation	2012/03/28
Edition	06		CSR99-001	3/12

delivered, the one received earliest shall prevail, unless a declaration is made to cancel the previous proxy appointment.

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

If, after a proxy form is delivered to the Company, a shareholder wishes to attend the shareholders' meeting online, a written notice of proxy cancellation shall be submitted to the Company two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

5. 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. 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-only shareholders' meeting.

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

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 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 30 minutes before the meeting starts. Shareholders completing registration will be deemed as attend the shareholders' meeting in person.

Shareholders shall attend shareholders meetings based on 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, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, he/she may be represented by more than one representative at a shareholders' meeting. When a

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Date of Amendment	2022/06/17	Rules of Procedure for Shareholders Meetings	Date of Formulation	2012/03/28
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juristic person is appointed to attend as proxy, he/she may designate only one person to represent it in the meeting.

In the event of a virtual shareholders' meeting, shareholders wishing 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 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

- 6.1 To convene a virtual shareholders' meeting, the Company shall include the follow particulars in the shareholders' meeting notice:
 - 6.1.1 How shareholders attend the virtual meeting and exercise their rights.
 - 6.1.2 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:
 - (1) 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.
 - (2) Shareholders not having registered to attend the affected virtual shareholders' meeting shall not attend the postponed or resumed session.
 - (3) In case of a hybrid shareholders' meeting, when the virtual meeting cannot be continued, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders' meeting online, meets the minimum legal requirement for a shareholder 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, and the shareholders attending the virtual meeting online shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders' meeting.
 - (4) Actions to be taken if the outcome of all proposals have been announced and extraordinary motion has not been carried out.
 - 6.1.3 To convene a virtual-only shareholders' meeting, appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders' meeting online shall be specified.
7. 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

Kung Long Batteries Industrial Co., Ltd.

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to serve as chair.

When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic person director that serves as chair.

It is advisable that shareholders' meetings convened by the Board of Directors be 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 meeting minutes.

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

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

8. The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and 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. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation. Where a shareholders' meeting is held online, 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.

In case of a virtual shareholders meeting, this Corporation is advised to audio and video record the back-end operation interface of the virtual meeting platform.

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

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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 Article 175, paragraph 1 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.

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

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors.

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

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion

Kung Long Batteries Industrial Co., Ltd.

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closed, call for a vote, and schedule sufficient time for voting.

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

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

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

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

When a juristic person 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 online 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.

12. Voting at a shareholders’ meeting shall be calculated based 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.

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

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 Article 179, paragraph 2 of the Company Act.

When the Company holds a shareholders' meeting, it shall exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company 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, two business days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, 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 an alternative to a proposal, the chair shall present

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

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

Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. 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 a record made of the vote.

When the Company convenes a virtual shareholders' meeting, after the chair declares the meeting open, shareholders attending the meeting online 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 hybrid shareholders' meeting, if shareholders who have registered to attend the meeting online 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 shareholders' meeting online.

When shareholders exercise voting rights by correspondence or electronic means, unless they have withdrawn the declaration of intent and attended the shareholders' meeting online, except for extraordinary motions, they will 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.

14. The election of directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected. The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.
15. Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed

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in electronic form.

The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

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

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 meeting 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-only 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-only shareholders' meeting online

16. 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 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

During the Company's virtual shareholders' meeting, 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 regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

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

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor".

At the place of a shareholders' meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the

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chair may prevent the shareholder from so doing.

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

18. 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.

19. 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 15 minutes after the chair has announced the meeting adjourned.
20. When the Company convenes a virtual-only 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.
21. 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 Article 44-20, paragraph 4 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 30 minutes, the 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 shareholders' meeting online shall not attend the postponed or resumed session.

For a meeting to be postponed or resumed under the second paragraph, 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 meeting, but do not attend the postpone or resumed session, at the affected shareholders meeting, shall be counted

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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 the second paragraph, 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.

When the Company convenes a hybrid shareholders' meeting, and the virtual meeting cannot continue as described in second paragraph, if the total number of shares represented at the meeting, after deducting 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, and not postponement or resumption thereof under the second paragraph is required.

Under the circumstances where a meeting should continue as 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 the second paragraph, the Company shall handle the preparatory work based on the date of the original shareholders meeting in accordance with the requirements listed under Article 44-20, paragraph 7 of the Regulations Governing the Administration of Shareholder Services of Public Companies.

For dates or period set forth under Article 12, second half, and Article 13, paragraph 3 of Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies, and Article 44-5, paragraph 2, Article 44-15, and Article 44-17, paragraph 1 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 the second paragraph.

22. When convening a virtual-only shareholders meeting, the Company shall provide appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders meeting online.
23. 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.

Kung Long Batteries Industrial Co., Ltd.

Articles of Incorporation

Appendixes II

Chapter 1. General Provisions

- Article 1: The Company has been duly incorporated in accordance with the provisions of the Company Act, and named Kung Long Batteries Industrial Co., Ltd.
- Article 2: The Company's business shall include the following:
1. Manufacturing, trading and domestic and international sales of various types of battery plates.
 2. Manufacturing and assembly of batteries for vehicles and motorcycles and hermetically sealed batteries.
 3. Trading of raw materials in the preceding paragraph.
 4. General import and export trade business. (except those that are subject to special approval).
 5. Processing and trading of various computer and peripheral devices and parts.
 6. Agent of tenders for domestic and foreign manufacturers for product quotation and distribution business.
 7. Power generation, transmission and distribution
 8. Domestic appliances manufacturing.
 9. Lighting equipment manufacturing.
 10. Data storage media units manufacturing.
 11. Wired communication equipment and apparatus manufacturing.
 12. Electronics components manufacturing.
 13. Battery manufacturing.
 14. All business activities that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 2.1: The Company may make endorsements/guarantees in accordance with its provisions for endorsements/guarantees.
- Article 2.2: The total amount of the Company's investment is not subject to the investment ratio in Article 13 of the Company Act.
- Article 3: The Company's head office is located in Nantou county. Where necessary, an overseas branch may be set up by resolution of the Board of Directors and approval of the competent authority.

Chapter 2. Shares

- Article 4: The total capital of the Company was NT\$1,000,000,000 divided into 100,000,000 shares at NT\$10 per share. The shares are all registered

common shares, issued in installments. The unissued portion is authorized to the Board of Directors for decision making.

Of the total shares in the preceding subparagraph, 8,200,000 shares are reserved for share subscription warrants. The Company intending to issue employee share subscription warrants at a price lower than the market price shall be done so pursuant to law and regulations, and may be issued after a resolution has been adopted at the shareholders' meeting.

The Company may buy back treasury stock at a price lower than the average price of the actually bought back shares. The treasury stock bought back may be transferred to the employees, provided that the relevant laws and regulations must be complied with and subject to approval of the shareholders' meeting.

Article 5: The shares of the Company shall be registered. Their certificates shall be numbered and bear the signatures or seals of the directors representing the Company and may only be issued after they have been legally certified. The shares issued by the Company are exempted from printing, any such certificates, provided that such new shares are kept in custody by or registered with a securities depository body.

Article 6: No transfer of shares may be registered within 60 days before an annual general meeting is convened or 30 days before a special shareholders' meeting is convened, or within 5 days before the record date on which the Company has decided to distribute dividends and bonuses or other benefits.

Article 7: Unless otherwise provided by laws and regulations, and securities regulations, the Company's stock affairs are handled in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies" promulgated by the competent authorities.

Chapter 3. Shareholders' meeting

Article 8: Shareholders' meetings are divided into general meetings and special meetings. A general meeting shall be convened within six months after close of each fiscal year. A special meeting shall be convened when necessary in accordance with law

The Company's shareholders' meeting may be held by means of visual communication network or other methods announced by the central competent authority.

In case a meeting of the Board of Directors is proceeded via videoconference, then the directors taking part in such a videoconference meeting shall be deemed to have attended the meeting in person.

Article 9: For shareholders who cannot attend shareholders' meeting for any reason,

he/she may issue a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization. In addition to the provisions set forth in Article 177 of the Company Act, proxies for attendance at shareholders' meetings are handled in accordance with the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" promulgated by the competent authority.

Article 10: A shareholders' meeting and board meeting shall, unless otherwise provided for by law, be chaired by the chairman.

Article 11: Unless subject to restrictions and the Company Act, the shareholders of the Company are entitled to one vote per share.

Article 12: Any resolution at a shareholders' meeting, unless otherwise specified in the Company Act, shall be adopted by a majority of the shareholders presented, who representing more than half of the total number of the Company's outstanding shares, and shall be executed based on the majority of the voting rights of attending shareholders. A proposal shall be deemed adopted if no objection is raised by any attending shareholder in response to an inquiry by the chair, and the proposal shall be as valid as if adopted by a vote.

As per the requirement of the competent authority, the Company may adopt voting by electronic mean. Shareholders casting their votes electronically shall be construed as their presence in the session in person. Matters pertinent to electronic balloting shall be governed by applicable laws.

Article 13: The resolutions made by the Shareholders' Meeting shall be tracked as minutes of meeting on record, with the affixing of the authorized signature/seal of the chair, and delivered to the shareholders within 20 days thereafter.

The distribution of the meeting minutes may be effected by electronic and a public notice means.

Chapter 4. Directors and Audit Committee

Article 14: The Company has 7-9 directors. The number of directors is authorized to the Board of Directors for determined. The directors who shall be elected by the shareholders' meeting from among the persons with disposing capacity and may be eligible for re-election.

In accordance with the provisions of Article 14-2 of the Securities and Exchange Act, at least 2 among the number of the above directors shall be independent directors and shall not be less than one-fifth of the total number of the directors.

In accordance with the provisions of Article 192-1 of the Company Act, the Company's directors (including independent directors) shall be elected under a candidate nomination system at the shareholders' meeting from a list of candidates of directors (including independent directors). Matters in relation to the acceptance method and announcement of the nomination of director candidates shall be handled in accordance with the Company Act and the Securities and Exchange Act. Independent and non-independent directors shall be elected at the same time, but in separately calculated numbers.

Article 14.1: Remuneration to the Company's directors is determined by the Board of Directors subject to the general standards of the industry.

The Company shall take out liability insurance for all directors and supervisors to minimize the risk of them being charged for their due execution of duties by shareholders or other related parties.

Article 14.2: The Company may establish various functional committees. The qualifications and duties of the members and related matters are separately determined by the Board of Directors in accordance with applicable laws and regulations.

The Company has established an Audit Committee composed of all independent directors pursuant to Article 14-4 of the Securities and Exchange Act.

The duties of the Audit Committee and other matters to be complied with are handled in accordance with the Company Act, the Securities and Exchange Act and other applicable regulations as well as the Company's bylaws.

Article 15: Where at least one-third of the seats of directors are vacant, the Board of Directors shall convene a special shareholders' meeting within 60 days to hold a by-election. The term of each director elected as such shall be limited to the remaining term of his/her predecessor.

Article 16: In case no election of new directors is effected after 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 17: The Board of Directors shall elect a chairman from among themselves by approval of two-thirds of the directors at a meeting attended by more than half of the directors. The Chairman shall represent the Company externally.

Article 18: A board meeting shall be chaired by the chairman. Where the chairman is on leave or for any reason is unable to exercise the power of the chair, the chairman shall appoint a director to act as his/her proxy. Where the

chairman fails to make such appointment, the directors shall select one among themselves. Directors shall attend Board meetings in person. A director unable to attend in person may appoint another director to attend the meeting in their place. An appointed proxy is subject to only one person.

In case a meeting of the board of directors is proceeded via videoconference, then the directors taking part in such a videoconference meeting shall be deemed to have attended the meeting in person.

Article 19: A notice of the reasons for convening a board meeting shall be given to each director and supervisor 7 days before the meeting is convened. In the event of an emergency, a board meeting may be convened at any time . The convening of a board meeting may be effected in writing, by facsimile and electronically. A board of directors meeting shall, unless otherwise provided for by the Company Act, be convened by the Board of Directors.

Any resolution at a board meeting, unless otherwise specified in the Company Act, shall be adopted by approval of two-thirds of the directors at a meeting attended by more than half of the directors.

Chapter 5. Company officer

Article 20: The Company may appoint several company officers, whose appointment, discharge and compensation shall be subject to the provisions of Article 29 of the Company Act.

Chapter 6. Accounting

Article 21: Pursuant to the provisions of Article 228 of the Company Act, upon the close of each fiscal year, the directors shall prepare the following reports to be submitted to the Audit Committee for review 30 days before the annual general meeting. The Audit Committee shall issue a report to be submitted to the annual general meeting for ratification.

1. Business report.
2. Financial statements.
3. Proposal of earnings distribution or recovery of losses.

Article 22: To motivate the employees and management team, if the Company records a profit (defined as gains before tax after deducting remuneration to employees and directors), not less than 2% of the profit shall be distributed as employee remuneration and not less than 5% of the profit shall be distribution as director remuneration.

When employee remuneration is distributed in the form of stock or cash,

a resolution shall be adopted by approval of two-thirds of the directors at a meeting attended by more than half of the directors, and reported to the shareholders' meeting.

Employee remuneration in the form of stock or cash shall be distributed to employees who meet certain specific requirements. The requirements are set by the Board of Directors.

Article 22.1: Where there are earnings for the year, in addition to paying taxes and making up for losses as required by law, 10% of the remaining earnings shall be set aside as legal reserve. In addition, after a special reserve is set aside or reserved in accordance with the relevant laws and regulations, the Board of Directors shall propose a motion for the distribution of the remaining earnings along the undistributed earnings at the beginning of the period for resolution at the shareholders' meeting, to be submitted to the shareholders' meeting for resolution.

As the Company is in the stage where growth is stable, the interests of shareholders, the financial structure and long-term development of the Company are taken into account, the total amount of dividends to shareholders shall be 20% to 80% of the accumulated distributable earnings and cash dividends shall not be less than 10% of the total dividends to shareholders.

Chapter 7. Supplementary provisions

Article 23: The Company's Rules of Organization and bylaws are separately formulated by the Board of Directors.

Article 24: Matters not provided for in these Articles of Incorporation are handled in accordance with the Company Act and other applicable laws and regulations.

Article 25: These Articles of Incorporation shall be effective upon the approval of the competent authorities.

Article 26: These Articles of Incorporation were established on January 23, 1990; the 1st amendment was made on April 30, 1990; the 2nd amendment was made on May 16, 1990; the 3rd amendment was made on October 3, 1990; the 4th amendment was made on October 25, 1993; the 5th amendment was made on May 6, 1994; the 6th amendment was made on November 20, 1996; the 7th amendment was made on October 23, 1997; the 8th amendment was made on May 12, 1999; the 9th amendment was made on September 28, 2000; the 10th amendment was made on June 30, 2000; the 11th amendment was made on April 12, 2001; the 12th amendment was made on May 9, 2002; the 13th amendment was made on June 18, 2003 the 14th amendment was made on June 18, 2003; the

15th amendment was made on June 10, 2005; the 16th amendment was made on June 15, 2007; the 17th amendment was made on June 15, 2012; the 18th amendment was made on June 12, 2014; the 19th amendment was made on June 12, 2015; the 20th amendment was made on June 13, 2016; the 21st amendment was made on June 11, 2020; the 22nd amendment was made on July 30, 2021; the 23rd amendment was made on June 17, 2022.

Kung Long Batteries Industrial Co., Ltd.

Chairman: Lee Yao-Min

Shareholding of Directors of Kung Long Batteries Industrial Co., Ltd.

I. Up until the book closure date for the annual general meeting, the Company issued a total of 82,066,394 shares.

II. Pursuant to Article 26 of the Securities and Exchange Act and provisions set forth in the “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies”, the minimum number of shares to be held by all directors was 6,565,311.

III. Up until the book closure date for the annual general meeting, the number of shares held by all directors of the Company as recorded in the shareholder register is as follows:

Base date: 2023.04.15				
Title	Account name	Number of shares held	Shareholding ratio	Remark
Director	Lee Yao-Min	3,344,951	4.08%	
Director	Lee Jui-Chun	5,857,802	7.14%	
Director	Shi Hwei-Yow	0	0.00%	
Director	Legal representative of Mao Long Investments Limited: Chen Shou-Shin	1,884,469	2.30%	
Director	Legal representative of Mao Long Investments Limited: Tsai Chang-Shou			
Director	Legal representative of Mao Long Investments Limited: Chiang Yen-Hung			
Independent director	Wang Cho-Chun	0	0.00%	
Independent director	Yang Wen-Goang	0	0.00%	
Independent director	Tsai Chi-Neng	0	0.00%	
Total		11,087,222	13.52%	

Note: As the Company has formed an Audit Committee pursuant to law, the requirement regarding supervisor shareholding not be less than a certain percentage does not apply.

Other matters:

I. The effect of the current bonus shares on the operating performance, EPS and return on shareholder’s investment: Not applicable.

II. Proposals by the shareholders for the year:

- (I) Pursuant to Article 172-1 of the Company Act, a shareholder holding one percent or more of the total number of issued shares may submit to the Company a proposal for discussion at a regular shareholders’ meeting. Shareholder-submitted proposals are limited to 300 words (including text punctuations), and no proposal containing more than 300 words will 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.
- (II) The period for accepting shareholders’ proposals was April 07 to April 17, 2023, which was announced on the Market Observation Post System (MOPS) as required by law.
- (III) Up until April 17, 2023, the Company did not receive any proposals from the shareholders.



 **廣隆光電科技股份有限公司**
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