

Stock Code: 1522



TYC Brother Industrial Co., Ltd

2022 Annual Shareholders' Meeting

# Meeting Agenda

Meeting Date : June 23, 2022

Place : Hotel Château Anping

(3<sup>rd</sup> Floor, No. 47, Xinjian Rd, South District, Tainan City, Taiwan)

# TYC Brother Industrial Co., Ltd

## 2022 Annual Shareholders' Meeting

### Meeting Agenda

### Table of Contents

<b>1. Meeting Procedures .....</b>	<b>1</b>
<b>2. Meeting Agenda.....</b>	<b>2</b>
(1) CALL TO ORDER .....	2
(2) CHAIRMAN'S ADDRESS .....	2
(3) REPORT ITEMS: .....	2
(4) MATTERS FOR RATIFICATION: .....	3
(5) MATTERS FOR DISCUSSION:.....	4
(6) EXTEMPORARY MOTIONS .....	4
(7) ADJOURNMENT.....	4
<b>3. Appendices.....</b>	<b>5</b>
A. BUSINESS REPORT .....	5
B. AUDIT COMMITTEE'S AUDIT REPORT .....	8
C. INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS .....	9
D. EARNINGS DISTRIBUTION PROPOSAL .....	27
E. PROCEDURES FOR ACQUISITION OR DISPOSAL OF ASSETS.....	28
F. COMPARISON TABLE OF ARTICLES BEFORE AND AFTER THE AMENDMENT OF GUIDELINES GOVERNING ELECTION OF DIRECTORS .....	43
G. SHAREHOLDERS' MEETING RULES AND PROCEDURES .....	51
H. ARTICLES OF INCORPORATION.....	54
I. STATUS OF SHARES HELD BY DIRECTORS .....	64

# **1. Meeting Procedures**

**(1) Call to Order**

**(2) Chairman's Address**

**(3) Report Items**

**(4) Matters for Ratification**

**(5) Matters for Discussion**

**(6) Extemporaneous Motions**

**(7) Adjournment**

## **2. Meeting Agenda**

**Time : 9:00 a.m., Thursday, June 23, 2022**

**Place : Hotel Château Anping**

**(3<sup>rd</sup> Floor, No. 47, Xijian Rd, South District, Tainan City, 702)**

**(1) Call to Order**

**(2) Chairman's Address**

**(3) Report Items:**

Proposal 1: 2021 Business report

Explanatory Notes: For the 2021 Business report, please refer to the Attachment. (p. 4-6 of this manual)

Proposal 2: 2021 Audit Committee's review report

Explanatory Notes: For the 2021 Audit Committee's review report, please refer to the Attachment. (p. 7 of this manual)

Proposal 3: 2021 Profit Sharing Bonus for Employees and Directors' Compensation Distribution Report

Explanatory Notes:

- a. The company's 2021 profit was NT\$235,514,624, which covers the benefits (i.e. all in NT\$) before tax excluding the profit sharing bonus for employees and directors' compensation distributed in accordance with the company's Articles of Incorporation.
- b. Approved by the First meeting of the Fifth Salary and Compensation Committee, i.e., the distribution of NT\$12,000,000 (not less than 1%) employee remuneration and NT\$5,200,000 (not more than 3%) directors' remuneration in cash, with the same amount of expenses recorded in 2021

#### **(4) Matters for Ratification:**

Proposal 1: Acknowledgment of 2021 Financial Statements (Proposed by the Board of Directors)

Explanatory Notes:

The 2021 individual financial report and consolidated financial report of the Company have been certified by Huang, Shih-Chieh and Lee, Fang-Wen, CPAs of ERNST & YOUNG, TAIWAN. The reports have also been reviewed by the Audit Committee and are certified true and correct. Please refer to the Attachments (page 4-6 and 8-26) for ratification of the 2021 Financial Statements.

Resolution:

Proposal 2: Adoption of the Proposal for Distribution of 2021 Earnings (Proposed by the Board of Directors)

Explanatory Notes:

- a. The company's 2021 net income after tax was NT\$193,270,587, and the proposal for distribution of the 2021 earnings shall be prepared in accordance with the Articles of Incorporation. Please refer to the Attachment (page 27) for details.
- b. From the accumulated earnings in 2021 for distribution, NT\$23,671,233 shall be set aside from type A preferred stock dividend and NT\$156,448,941 from common stock of shareholders' dividends. (a cash dividend of NT\$0.5 per share) The total amount of dividends distributed to each individual shareholder of preferred stock dividend and common stock cash dividend is distributed up to NT\$1. (allocated up to NT\$1, rounded down to less than NT\$1), and the total abnormal cost is included in the company's other income. Upon approval at the Annual Shareholders' Meeting presided over by the Chairman, the resolution regarding the ex-rights date, distribution date, and other relevant issues shall be adopted.
- c. If there is a change in the company's share capital afterwards, which in turn affects the dividend ratio, the Board of Directors shall be authorized to adjust the dividend ratio according to each distributed share.

Resolution:

**(5) Matters for Discussion:**

Proposal 1: Proposal for discussion to amend the Procedures for Acquisition or Disposal of Assets (Proposed by the Board of Directors)

Explanatory Notes: In order to comply with legal and regulatory requirements, an amendment to certain clauses of the company's "Procedures for Acquisition or Disposal of Assets " is hereby proposed. For the comparison list of Procedures for Acquisition or Disposal of Assets before and after the revision, please refer to the Attachment (page 28-38) for details.

Resolution:

**(6) Extemporaneous Motions**

**(7) Adjournment**

### 3. Appendices

#### A. Business Report

##### TYC Brother Industrial Co., Ltd

##### Business Report

Dear Shareholders,

I would like to report the 2021 business performance and 2022 business plan of the Company.

##### Business results in 2021:

##### 1. Business plan implementation results:

As a result of the efforts of all our colleagues in the past year, TYC Brother's operating revenue reached NT\$16,576,615 thousand, an increase of 14.75 percent from NT\$14,446,208 thousand in 2020. The Company's gross profit was NT\$3,007,408 thousand and net profit before tax was NT\$329,421 thousand.

Unit: In thousand dollars

Item	2020 Achievements	2021 Achievements	Growth rate%
Operating Revenue	14,446,208	16,576,615	14.75%
Cost of goods sold	11,588,766	13,569,207	17.09%
Gross Profit (from goods sold)	2,857,442	3,007,408	5.25%
Operating Expenses	2,590,956	2,578,705	(0.47)%
Operating Profit	266,486	428,703	60.87%
Non-Operating Income and Expenses	141,415	(99,282)	(170.21)%
Net Income before tax	407,901	329,421	(19.24)%
Income tax	121,214	92,812	(23.43)%
Net Income after tax	286,687	236,609	(17.47)%

##### 2. Budget execution status: The company did not disclose 2021 financial forecast

### 3. Analysis of 2021 financial income and expenditure, and profitability:

Annual net profit after tax was NT\$236,609 thousand and diluted earnings per share were NT\$0.62. The percentages of net operating profit and net profit before tax versus paid-in capital were 13.70% and 10.53%, respectively, with a profit ratio of 1.43%.

### 4. Status of research and development:

#### a. Research and development expenses in the last 2 years:

- (1) Research and development expense in 2020 was NT\$425,047 thousand, accounting for 2.94% of the operating revenue.
- (2) Research and development expense in 2021 was NT\$344,453 thousand, accounting for 2.08% of the operating revenue.

#### b. R&D accomplishments:

- (1) LED side light optical tail light with virtual focus light guide
- (2) Automatic adaptive headlight ADB (including AFS function) headlight design
- (3) CAN BUS communication full-featured heavy-duty locomotive headlights

### **Summary of 2021 Operation Plans:**

#### 1. Operating Strategy

- a. Continue to obtain product certification and boost sales performance of related product groups to increase company revenue and profit
- b. Proactively invest in the development of smart lighting and electronic control technology to maintain the Company's top position in product technology
- c. Maximize the use of internal and external resources to make product cost and quality more competitive
- d. Speed up the development of new products, effectively reduce lead time to market, and expand market opportunities

#### 2. Sales Volume Estimation

The Company expects sales growth of AM and OEM in 2022 to be better than in 2021; however, the situation may change depending on the long-term global effects of COVID-19.



### 3. Significant Production and Marketing Policies

- a. Eliminate internal waste, continue to improve and strengthen management structure and market price competitiveness
- b. Continue to build a labor-saving and automated production system, and improve production efficiency
- c. Effectively manage fixed asset expenditures, reduce fixed cost allocation, and improve the flexibility of funds
- d. Accurately predict seasonal market demand and provide customers with more timely shipments through evaluation and analysis of production and big data in sales

#### Future Corporate Development Strategy affected by external competitive environment, legal environment, and managerial environment

The revenue performance shown a slight decline last year due to IC shortage in OEM markets, which affects delivery ability of auto manufacturers. The after-sales market demand has recovered with full orders, however, with restriction of factors such as port congestion, container shortages and freight rate drastic increase, the revenue performance has failed to reflect order deliveries. Furthermore, price increase of raw materials and the strong exchange rate of Taiwan dollar both have impacted the profit performance. Fortunately, CAPA products in North America continued to grow, and product groups and product price competitiveness shown a continuous improvement in European and other regional markets. It is estimated that after the pandemic gradually eases this year and the interest rates of US dollar begins to raise, revenue and profit performance is expected to grow.

We sincerely thank everyone for taking the time to attend the shareholders' meeting despite their busy schedule. Company management team and all our colleagues will continue to strive for the best and remain committed to good governance to live up to all your expectations. Finally, we wish you good health and all the best in future endeavors.

Chairman: Wu, Chun-Chi    CEO: Chen, Chin-Chao    Accountant: Weng, Yi-Feng

## **B. Audit Committee's Audit Report**

**TYC Brother Industrial Co., Ltd**

### **Audit Committee's Audit Report**

The Board of Directors has prepared the Company's 2020 financial report (including consolidated financial report), which was certified by Huang, Shih-Chieh and Lee, Fang-Wen, CPAs of ERNST & YOUNG, TAIWAN. The aforementioned reports, together with the business report and the proposal for earnings distribution were reviewed and certified correct and accurate by the Audit Committee members of TYC Brother Industrial Co., Ltd. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, this report is hereby submitted.

Submitted at:

2021 Annual General Meeting of TYC Brother Industrial Co., Ltd.

Chairman of the Audit Committee:



---

Huang, Chung-Hui

March 25, 2021

## C. Independent Auditors' Report and Financial Statements

### Independent Auditors' Report

To TYC BROTHER INDUSTRIAL CO., LTD.

### Opinion

We have audited the accompanying parent company only balance sheets of TYC BROTHER INDUSTRIAL CO., LTD. (the "Company") as of 31 December 2021 and 2020, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2021 and 2020, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2021 and 2020, and its financial performance and cash flows for the years ended 31 December 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China on Taiwan. 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 on Taiwan (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other 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 2021 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, and we do not provide a separate opinion on these matters.

#### Loss Allowance Accounts Receivable

As of 31 December 2021, the balance of accounts receivable and allowance for doubtful accounts of the Company amounted to NT\$3,965,098 thousand and NT\$158,856 thousand, respectively. Net accounts receivable constituted a material amount of 20% of total assets, which was considered material in the parent company only financial statements. Since the allowance for doubtful accounts was measured at the lifetime expected credit loss, the account receivables should be appropriately grouped during the measurement process and determine the use of related assumptions in the analysis and measurement, including appropriate aging intervals and their respective loss rate. As the measurement of expected credit loss involves making judgment, analysis and estimates, and the result will affect the net accounts receivable, we therefore determined this a key audit matter.

Our audit procedures included, but not limited to, evaluating and testing the process of internal control execution management established for receivables; evaluating the appropriateness of management's provisioning policy of allowance for doubtful accounts; analyzing the appropriateness of the grouping of accounts receivable to confirm whether customer groups that have significantly different loss patterns from one another are grouped appropriately; the Company was tested by provision matrix, including evaluating the appropriateness of the aging intervals and the accuracy of the basic data by reviewing the original certificates; performing tests on subsequent collection of receivables; evaluating long-term trends of loss allowance and turnover rate of accounts receivable.

We also considered the appropriateness of disclosure of accounts receivable. Please refer to Notes 5 and 6 of the parent company only financial statements.

#### Valuation for slow-moving inventories

As of 31 December 2021, the Company's net inventories amounted to NT\$1,241,867 thousand, constituting 7% of total asset, which was considered material in the parent company only financial statements. Considering the market economy environment change, horizontal competition and numerous inventory items, the loss allowance for loss on inventory valuation and obsolescence required significant management judgment. We determined this as a key audit matter.

Our audit procedures included, but not limited to, evaluating and testing the internal control management established for inventory, evaluating the appropriateness of management's provisioning policy of allowance; sampling net realizable value estimated by inventory, including related sales certificates and recalculating price loss; testing the accuracy of inventory aging time period by sampling related documents and recalculating the accuracy of inventory allowance.

We also considered the appropriateness of disclosure of inventories. Please refer to Notes 5 and 6 of the parent company only financial statements.

#### **Other Matter – Making Reference to the Audits of a Component Auditors**

We did not audit the financial statements of certain subsidiaries, associates and joint ventures accounted for under the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the reports of other auditors. These subsidiaries, associates and joint ventures under equity method amounted to NT\$732,263 thousand and NT\$725,102 thousand, representing 3.93% and 4.08% of total assets as of December 31, 2021 and 2020, respectively. The related shares of profits from the subsidiaries, associates and joint ventures under the equity method amounted to NT\$70,059 thousand and NT\$16,379 thousand, representing 29.75% and 6.97% of the income before tax for the years ended December 31, 2021 and 2020, respectively, and the related shares of other comprehensive income (loss) from the subsidiaries, associates and joint ventures under the equity method amounted to NT\$(54,299) thousand and NT\$(8,569) thousand, representing 154.42% and 17.36% of the comprehensive income (loss) for the years ended December 31, 2021 and 2020, respectively.

#### **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 requirements of 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 ability to continue as a going concern of the Company, 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 audit committee, are responsible for overseeing the financial reporting process of the Company.

### **Auditor's 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 auditor's 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 auditing standards generally accepted in the Republic of China on Taiwan 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 auditing standards generally accepted in the Republic of China on Taiwan, 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 internal control of the Company.
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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 accompanying notes, 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 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 2021 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended 31 December 2021 and 2020.

Huang, Shih-Chieh

Lee, Fang-Wen

Ernst & Young, Taiwan  
24 March 2022

English Translation of Financial Statements Originally Issued in Chinese

TYC BROTHER INDUSTRIAL CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS

31 December 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	Notes	31 Dec. 2021	31 Dec. 2020
Current assets			
Cash and cash equivalents	IV/VI.1	\$280,558	\$233,279
Financial assets at fair value through profit or loss, current	IV/VI.2	1,034	-
Financial assets measured at amortized cost, current	IV/VI.4	55,540	-
Notes receivable, net	IV/VI.5	12,980	16,269
Notes receivable-related parties, net	IV/VI.5/VII	11,002	11,381
Accounts receivable, net	IV/VI.6	996,349	772,326
Accounts receivable-related parties, net	IV/VI.6/VII	2,785,911	2,202,032
Other receivables	IV/VII	151,546	103,402
Inventories	IV/VI.7	1,241,867	1,062,985
Other current assets		145,861	134,957
Total current assets		5,682,648	4,536,631
Non-current assets			
Financial assets at fair value through other comprehensive income, non-current	IV/VI.3	133,178	83,775
Investments accounted for under the equity method	IV/VI.8	4,387,679	4,384,432
Property, plant and equipment	IV/VI.9/VIII	6,120,820	6,381,043
Right-of-use asset	IV/VI.20	683,209	696,486
Intangible assets	IV/VI.10	40,267	57,329
Deferred tax assets	IV/VI.24	355,403	354,881
Prepayment for equipments		1,191,934	1,217,581
Refundable deposits	VIII	17,835	17,836
Other non-current assets-others		23,884	26,471
Total non-current assets		12,954,209	13,219,834
Total assets		\$18,636,857	\$17,756,465

(The accompanying notes are an integral part of the parent company only financial statements.)

English Translation of Financial Statements Originally Issued in Chinese  
TYC BROTHER INDUSTRIAL CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
31 December 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 Dec. 2021	31 Dec. 2020
Current liabilities			
Short-term borrowings	IV/VI.11	\$958,000	\$375,590
Short-term notes and bills payable	IV/VI.12	639,808	-
Financial liabilities at fair value through profit or loss, current	IV/VI.13	3,577	17,020
Notes payable	IV	285,951	296,082
Accounts payable	IV	1,567,964	1,645,360
Accounts payable-related parties	IV/VII	772,850	801,377
Other payables	IV	383,774	422,826
Current tax liabilities	IV/VI.24	24,592	-
Lease liabilities, current	IV/VI.20	39,388	38,832
Current portion of long-term liabilities	IV/VI.14	111,301	-
Other current liabilities		311,620	301,712
Total current liabilities		5,098,825	3,898,799
Non-current liabilities			
Long-term borrowings	IV/VI.14	4,858,269	4,558,613
Other long-term borrowings	IV/VI.15	-	1,999,439
Deferred tax liabilities	IV/VI.24	38,717	38,717
Lease liabilities, non current	IV/VI.20	575,440	614,829
Net defined benefit liabilities, non-current	IV/VI.16	175,259	220,805
Other non-current liabilities-others		592	315
Total non-current liabilities		5,648,277	7,432,718
Total liabilities		10,747,102	11,331,517
Equity			
Capital	IV/VI.17		
Common stock		3,128,979	3,128,979
Preferred stock		300,000	-
Capital surplus	IV/VI.17	2,577,877	1,381,263
Retained earnings	IV/VI.17		
Legal reserve		808,620	783,394
Special reserve		289,982	250,969
Unappropriated earnings		1,134,265	1,176,321
Other equity	IV/VI.17		
Exchange differences resulting from translating the financial statements of foreign operations		(446,242)	(395,675)
Unrealized gains or losses on financial assets measured at fair value through other comprehensive income		102,270	105,693
Treasury stock	IV/VI.17	(5,996)	(5,996)
Total equity		7,889,755	6,424,948
Total liabilities and equity		\$18,636,857	\$17,756,465

(The accompanying notes are an integral part of the parent company only financial statements.)



English Translation of Financial Statements Originally Issued in Chinese  
TYC BROTHER INDUSTRIAL CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
For the years ended 31 December 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

ITEMS	Notes	2021	2020
Operating revenues	IV/VI.18/VII	\$11,193,999	\$9,391,750
Operating costs	IV/VI.7.20.21/VII	(10,009,747)	(8,463,166)
Gross profit		1,184,252	928,584
Unrealized profit on sales		(489,142)	(456,378)
Realized profit on sales		456,390	471,137
Net gross profit		1,151,500	943,343
Operating expenses	IV/VI.19.20.21/VII		
Sales and marketing expenses		(426,034)	(357,672)
General and administrative expenses		(281,089)	(289,686)
Research and development expenses		(277,559)	(347,777)
Expected credit impairment losses		(1,702)	(2,085)
Subtotal		(986,384)	(997,220)
Operating income		165,116	(53,877)
Non-operating income and expenses			
Other income	VI.22	32,635	114,382
Other gains and losses	VI.22	(127,355)	(67,200)
Finance costs	VI.22	(59,863)	(70,638)
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	IV/VI.8	224,982	312,479
Subtotal		70,399	289,023
Net income before income tax		235,515	235,146
Income tax benefit (expense)	IV/VI.24	(42,244)	27,470
Net income		193,271	262,616
Other comprehensive income (loss)	IV/VI.23		
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of the defined benefit plan		17,804	(11,420)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income		2,058	16,521
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method which will not be reclassified subsequently to profit or loss		(3,073)	32,732
Income tax related to items that will not be reclassified subsequently		(3,561)	2,284
Items that may be reclassified subsequently to profit or loss			
Exchange differences resulting from translating the financial statements of foreign operations		(77,907)	(101,035)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method which may be reclassified subsequently to profit or loss		14,698	(10,827)
Income tax related to items that may be reclassified subsequently		12,642	22,373
Total other comprehensive income (loss), net of tax		(37,339)	(49,372)
Total comprehensive income (loss)		\$155,932	\$213,244
Earnings per share (NTD)	IV/VI.24		
Earnings per share-basic		\$0.62	\$0.84
Earnings per share-diluted		\$0.62	\$0.84

(The accompanying notes are an integral part of the parent company only financial statements.)

English Translation of Financial Statements Originally Issued in Chinese

TYC BROTHER INDUSTRIAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

ITEMS	Equity attributable to the parent company									Total equity
	Capital		Capital surplus	Retained Earnings			Other equity		Treasury stock	
	Common stock	Preferred stock		Legal reserve	Special reserve	Unappropriated earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		
Balance as of 1 January 2020	\$3,128,979	\$-	\$1,379,947	\$713,881	\$160,750	\$1,521,853	\$(306,186)	\$55,217	\$(5,996)	\$6,648,445
Appropriation and distribution of 2019 retained earnings										
Legal reserve	-	-	-	69,513	-	(69,513)	-	-	-	-
Special reserve	-	-	-	-	90,219	(90,219)	-	-	-	-
Cash dividends	-	-	-	-	-	(438,057)	-	-	-	(438,057)
Net income for the year ended 31 December 2020	-	-	-	-	-	262,616	-	-	-	262,616
Other comprehensive income (loss) for the year ended 31 December 2020	-	-	-	-	-	(10,359)	(89,489)	50,476	-	(49,372)
Total comprehensive income (loss)	-	-	-	-	-	252,257	(89,489)	50,476	-	213,244
Adjustments for dividends subsidiaries received from parent company	-	-	1,316	-	-	-	-	-	-	1,316
Balance as of 31 December 2020	\$3,128,979	\$-	\$1,381,263	\$783,394	\$250,969	\$1,176,321	\$(395,675)	\$105,693	\$(5,996)	\$6,424,948
Balance as of 1 January 2021	\$3,128,979	\$-	\$1,381,263	\$783,394	\$250,969	\$1,176,321	\$(395,675)	\$105,693	\$(5,996)	\$6,424,948
Appropriation and distribution of 2020 retained earnings										
Legal reserve	-	-	-	25,226	-	(25,226)	-	-	-	-
Special reserve	-	-	-	-	39,013	(39,013)	-	-	-	-
Cash dividends	-	-	-	-	-	(187,739)	-	-	-	(187,739)
Net income for the year ended 31 December 2021	-	-	-	-	-	193,271	-	-	-	193,271
Other comprehensive income (loss) for the year ended 31 December 2021	-	-	-	-	-	15,968	(50,567)	(2,740)	-	(37,339)
Total comprehensive income (loss)	-	-	-	-	-	209,239	(50,567)	(2,740)	-	155,932
Issuance of preference shares	-	300,000	1,195,878	-	-	-	-	-	-	1,495,878
Adjustments for dividends subsidiaries received from parent company	-	-	564	-	-	-	-	-	-	564
Disposals of financial assets at fair value through other comprehensive income	-	-	-	-	-	683	-	(683)	-	-
Other	-	-	172	-	-	-	-	-	-	172
Balance as of 31 December 2021	\$3,128,979	\$300,000	\$2,577,877	\$808,620	\$289,982	\$1,134,265	\$(446,242)	\$102,270	\$(5,996)	\$7,889,755

(The accompanying notes are an integral part of the parent company only financial statements.)

English Translation of Financial Statements Originally Issued in Chinese

TYC BROTHER INDUSTRIAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended 31 December 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

ITEMS	2021	2020	ITEMS	2021	2020
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$235,515	\$235,146	Acquisition of financial assets at fair value through comprehensive income	(59,822)	-
Adjustments for:			Proceeds from capital reduction of financial assets at fair value through other comprehensive income	12,477	-
Income and expense adjustments:			Acquisition of financial assets measured at amortized cost	(55,540)	-
Depreciation	1,290,506	1,298,735	Acquisition of investments accounted for using the equity method	-	(100,792)
Amortization	31,789	36,251	Proceeds from capital reduction of investments accounted for using the equity method	16,630	46,792
Expected credit impairment losses	1,702	2,085	Acquisition of property, plant and equipment	(984,834)	(1,172,559)
Finance costs	59,863	70,638	Proceeds from disposal of property, plant and equipment	4,485	48
Interest income	(203)	(674)	Increase in refundable deposits	(34)	(714)
Dividend income	(2,473)	(979)	Decrease in refundable deposits	35	1,570
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	(224,982)	(312,479)	Acquisition of intangible assets	(14,727)	(16,885)
(Gains) on disposal of property, plant and equipment	(1,889)	(515)	Increase in other non-current assets	(26,623)	(35,594)
Unrealized profit on sales	489,142	456,378	Decrease in other non-current assets	29,210	32,608
Realized profit on sales	(456,390)	(471,137)	Net cash used in investing activities	(1,078,743)	(1,245,526)
Changes in operating assets and liabilities:			Cash flows from financing activities:		
Financial assets at fair value through profit or loss	(1,034)	410	Increase in short-term borrowings	1,430,000	1,600,825
Notes receivable	3,290	(865)	Decrease in short-term borrowings	(847,590)	(1,969,235)
Notes receivable-related parties	381	1,882	Increase in short-term notes and bills payable	639,808	-
Accounts receivable	(225,724)	122,387	Decrease in short-term notes and bills payable	-	(589,354)
Accounts receivable-related parties-net	(583,883)	206,676	Proceeds from long-term borrowings	2,117,070	3,871,720
Other receivables	(47,967)	(32,364)	Repayment of long-term borrowings	(1,706,113)	(2,999,539)
Inventories	(178,882)	47,842	Increase in other long-term borrowings	-	823
Other current assets	(10,904)	(48,725)	Decrease in other long-term borrowings	(1,999,439)	-
Financial liabilities at fair value through profit or loss	(13,443)	13,608	Cash payment for the principal portion of the lease liabilities	(38,833)	(35,817)
Notes payable	(10,131)	67,526	Increase in other non-current liabilities	2,009	1,501
Accounts payable	(77,396)	236,051	Decrease in other non-current liabilities	(1,732)	(3,163)
Accounts payable-related parties	(28,527)	15,362	Cash dividends	(187,739)	(438,057)
Other payables	(39,438)	(62,605)	Proceeds from issuing stock	1,495,878	-
Other current liabilities	9,908	(6,918)	Net cash provided by (used in) financing activities	903,319	(560,296)
Net defined benefit liabilities	(27,742)	(19,739)			
Cash generated from operations	191,088	1,853,977			
Interest received	203	674			
Dividend received	109,470	32,630			
Interest paid	(68,960)	(84,214)	Net (decrease) in cash and cash equivalents	47,279	(44,268)
Income tax paid	(9,098)	(41,513)	Cash and cash equivalents at beginning of year	233,279	277,547
Net cash provided by operating activities	222,703	1,761,554	Cash and cash equivalents at end of year	\$280,558	\$233,279

(The accompanying notes are an integral part of the parent company only financial statements.)

## **Independent Auditors' Report**

To TYC BROTHER INDUSTRIAL CO., LTD.

### **Opinion**

We have audited the accompanying consolidated balance sheets of TYC BROTHER INDUSTRIAL CO., LTD. (the "Company") and its subsidiaries (the "Group") as of 31 December 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2021 and 2020, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of 31 December 2021 and 2020, and their consolidated financial performance and cash flows for the years ended 31 December 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China on Taiwan.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China on Taiwan. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China on Taiwan (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other 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 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Loss Allowance Accounts Receivable

As of 31 December 2021, the balance of accounts receivable and allowance for doubtful accounts of the Group amounted to NT\$3,026,760 thousand and NT\$246,724 thousand, respectively. Net accounts receivable constituted a material amount of 11 % of the total consolidated assets, which was considered material in the consolidated statements. Since the allowance for doubtful accounts was measured at the lifetime expected credit loss, the account receivables should be appropriately grouped during the measurement process and determine the use of related assumptions in the analysis and measurement, including appropriate aging intervals and their respective loss rate. As the measurement of expected credit loss involves making judgment, analysis and estimates, and the result will affect the net account receivable, we therefore determined this a key audit matter.

Our audit procedures included, but not limited to, evaluating and testing the process of internal control execution management established for receivables; evaluating the appropriateness of management's provisioning policy of allowance for doubtful accounts; analyzing the appropriateness of the grouping of accounts receivable to confirm whether customer groups that have significantly different loss patterns from one another are grouped appropriately; the Group were tested by provision matrix, including evaluating the appropriateness of the aging intervals and the accuracy of the basic data by reviewing the original certificates; performing tests on subsequent collection of receivables; evaluating long-term trends of loss allowance and turnover rate of accounts receivable.

We also considered the appropriateness of disclosure of accounts receivable. Please refer to Notes 5 and 6 of the consolidated financial statements.

#### Valuation for inventories

As of 31 December 2021, the Group's net inventories amounted to NT\$5,579,094 thousand, and constitutes 23% of total consolidated asset, which was considered material in the consolidated statements. Considering the market economy environment change, horizontal competition and numerous inventory items, the loss allowance for loss on inventory valuation and obsolescence required significant management judgment, we therefore determined this as a key audit matter.

Our audit procedures included, but not limited to, evaluating and testing the internal control management established for inventory; evaluating the appropriateness of management's provisioning policy of allowance; sampling net realizable value estimated by inventory valuation, including related sales certificates and recalculating price loss; testing the accuracy of inventory aging time period by sampling related documents and recalculating the accuracy of inventory allowance.

We also considered the appropriateness of disclosure of inventories. Please refer to Notes 5 and 6 of the consolidated financial statements.

#### **Other Matter – Making Reference to the Audits of a Component Auditors**

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT\$1,547,689 thousand and NT\$1,308,872 thousand, constituting 6.43% and 5.75% of consolidated total assets as of 31 December, 2021 and 2020, respectively, and total operating revenues of NT\$2,489,995 thousand and NT\$2,140,996 thousand, constituting 15.02% and 14.82% of consolidated operating revenues for the years ended 31 December 2021 and 2020, respectively. We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. Those associates and joint ventures under equity method amounted to NT\$166,913 thousand and NT\$162,522 thousand, representing 0.69% and 0.71% of consolidated total assets as of 31 December 2021 and 2020, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT\$10,243 thousand and NT\$(21,005) thousand, representing 3.11% and (5.15)% of the consolidated net income before tax for the years ended 31 December 2021 and 2020, respectively, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT\$(3,376) thousand and NT\$(7,623) thousand, representing 8.55% and 13.38% of the consolidated other comprehensive income for the years ended 31 December 2021 and 2020, respectively.

## **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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China on Taiwan 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 ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

## **Auditor's 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 auditor's 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 auditing standards generally accepted in the Republic of China on Taiwan 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 auditing standards generally accepted in the Republic of China on Taiwan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

7. 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.
8. 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 internal control of the Company and its subsidiaries.
9. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
10. 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 ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

11. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries 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 2021 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended 31 December 2021 and 2020.

Huang, Shih-Chieh

Lee, Fang-Wen

Ernst & Young, Taiwan

24 March 2022

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TYC BROTHER INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 December 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	Notes	31 Dec. 2021	31 Dec. 2020
Current assets			
Cash and cash equivalents	IV/VI.1	\$898,571	\$989,964
Financial assets at fair value through profit or loss, current	IV/VI.2	1,034	-
Financial assets measured at amortized cost, current	IV/VI.4	168,453	78,676
Notes receivable, net	IV/VI.5	23,960	22,416
Notes receivable-related parties, net	IV/VI.5/VII	20,301	13,561
Accounts receivable, net	IV/VI.6/VIII	2,638,801	2,450,755
Accounts receivable-related parties, net	IV/VI.6/VII	96,974	61,962
Other receivables	IV	160,068	115,455
Inventories	IV/VI.7/VIII	5,579,094	4,392,436
Other current assets		301,937	327,870
Total current assets		9,889,193	8,453,095
Non-current assets			
Financial assets at fair value through other comprehensive income, non-current	IV/VI.3	228,426	191,736
Investments accounted for under the equity method	IV/VI.8	1,965,506	1,983,646
Property, plant and equipment	IV/VI.9/VIII	7,924,249	8,330,236
Right-of-use asset	IV/VI.20	2,085,086	1,863,728
Intangible assets	IV/VI.10	71,843	90,673
Deferred tax assets	IV/VI.24	497,544	492,841
Prepayment for equipments		1,295,409	1,243,141
Refundable deposits	VIII	54,376	50,887
Other non-current assets-others		42,975	45,152
Total non-current assets		14,165,414	14,292,040
Total assets		\$24,054,607	\$22,745,135

(The accompanying notes are an integral part of the consolidated financial statements.)



English Translation of Consolidated Financial Statements Originally Issued in Chinese  
TYC BROTHER INDUSTRIAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
31 December 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	31 Dec. 2021	31 Dec. 2020
Current liabilities			
Short-term borrowings	IV/VI.11	\$1,909,969	\$1,229,994
Short-term notes and bills payable	IV/VI.12	639,808	-
Financial liabilities at fair value through profit or loss, current	IV/VI.13	3,577	17,020
Notes payable	IV	314,719	324,990
Accounts payable	IV	2,324,382	2,325,277
Accounts payable-related parties	IV/VII	553,790	610,662
Other payables	IV	979,507	940,817
Current tax liabilities	IV/VI.24	34,071	7,905
Lease liabilities, current	IV/VI.20	220,118	188,161
Current portion of long-term liabilities	IV/VI.14	151,077	233,580
Other current liabilities		423,941	422,406
Total current liabilities		7,554,959	6,300,812
Non-current liabilities			
Long-term borrowings	IV/VI.14	6,217,336	5,774,719
Other long-term borrowings	IV/VI.15	-	1,999,439
Deferred tax liabilities	IV/VI.24	52,269	56,815
Lease liabilities, non-current	IV/VI.20	1,764,024	1,587,850
Net defined benefit liabilities, non-current	IV/VI.16	218,271	270,708
Other non-current liabilities-others		56,803	49,866
Total non-current liabilities		8,308,703	9,739,397
Total liabilities		15,863,662	16,040,209
Equity attributable to the parent company			
Capital	IV/VI.17		
Common stock		3,128,979	3,128,979
Preferred stock		300,000	-
Capital surplus	IV/VI.17	2,577,877	1,381,263
Retained earnings	IV/VI.17		
Legal reserve		808,620	783,394
Special reserve		289,982	250,969
Unappropriated earnings		1,134,265	1,176,321
Other equity	IV/VI.23		
Exchange differences resulting from translating the financial statements of foreign operations		(446,242)	(395,675)
Unrealized gains or losses on financial assets measured at fair value through other comprehensive income		102,270	105,693
Treasury stock	IV/VI.17	(5,996)	(5,996)
Total equity attributable to the parent company		7,889,755	6,424,948
Non-controlling interests	IV/VI.17	301,190	279,978
Total equity		8,190,945	6,704,926
Total liabilities and equity		\$24,054,607	\$22,745,135

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
TYC BROTHER INDUSTRIAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the years ended 31 December 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

ITEMS	Notes	2021	2020
Operating revenues	IV/VI.18/VII	\$16,576,615	\$14,446,208
Operating costs	IV/VI.7.20.21/VII	(13,569,218)	(11,588,776)
Gross profit		3,007,397	2,857,432
Unrealized profit on sales		(10)	(21)
Realized profit on sales		21	31
Net gross profit		3,007,408	2,857,442
Operating expenses	IV/VI.20.21		
Sales and marketing expenses		(1,433,399)	(1,361,817)
General and administrative expenses		(795,939)	(824,142)
Research and development expenses		(344,453)	(425,047)
Expected credit impairment (losses) gains	IV/VI.19	(4,914)	20,050
Subtotal		(2,578,705)	(2,590,956)
Operating income		428,703	266,486
Non-operating income and expenses			
Other income	VI.22	100,858	216,429
Other gains and losses	VI.22	(136,170)	(32,947)
Finance costs	VI.22	(135,854)	(171,117)
Share of profit of associates and joint ventures accounted for using the equity method	IV/VI.8	71,884	129,050
Subtotal		(99,282)	141,415
Net income before income tax		329,421	407,901
Income tax expense	IV/VI.24	(92,812)	(121,214)
Net income		236,609	286,687
Other comprehensive income (loss)	IV/VI.23		
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of the defined benefit plan		21,269	(13,716)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income		(2,740)	49,953
Income tax related to items that will not be reclassified subsequently		(4,254)	2,743
Item that may be reclassified subsequently to profit or loss			
Exchange differences resulting from translating the financial statements of foreign operations		(81,080)	(107,480)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method		14,698	(10,827)
Income tax related to items that may be reclassified subsequently		12,642	22,373
Total other comprehensive income (loss), net of tax		(39,465)	(56,954)
Total comprehensive income (loss)		\$197,144	\$229,733
Net income attributable to:			
Stockholders of the parent		\$193,271	\$262,616
Non-controlling interests		43,338	24,071
		\$236,609	\$286,687
Comprehensive income attributable to:			
Stockholders of the parent		\$155,932	\$213,244
Non-controlling interests		41,212	16,489
		\$197,144	\$229,733
Earnings per share (NTD)			
Earnings per share-basic	IV/VI.25	\$0.62	\$0.84
Earnings per share-diluted	IV/VI.25	\$0.62	\$0.84

(The accompanying notes are an integral part of the consolidated financial statements.)

## TYC BROTHER INDUSTRIAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

ITEMS	Equity attributable to the parent company										Non-controlling interests	Total equity
	Capital		Capital surplus	Retained Earnings			Other equity		Treasury stock	Total		
	Common stock	Preferred stock		Legal reserve	Special reserve	Unappropriated earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income				
Balance as of 1 January 2020	\$3,128,979	\$-	\$1,379,947	\$713,881	\$160,750	\$1,521,853	\$(306,186)	\$55,217	\$(5,996)	\$6,648,445	\$214,329	\$6,862,774
Appropriation and distribution of 2019 retained earnings												
Legal reserve	-	-	-	69,513	-	(69,513)	-	-	-	-	-	-
Special reserve	-	-	-	-	90,219	(90,219)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(438,057)	-	-	-	(438,057)	-	(438,057)
Net income for the year ended 31 December 2020	-	-	-	-	-	262,616	-	-	-	262,616	24,071	286,687
Other comprehensive income (loss) for the year ended 31 December 2020	-	-	-	-	-	(10,359)	(89,489)	50,476	-	(49,372)	(7,582)	(56,954)
Total comprehensive income (loss)	-	-	-	-	-	252,257	(89,489)	50,476	-	213,244	16,489	229,733
Adjustments for dividends subsidiaries received from parent company	-	-	1,316	-	-	-	-	-	-	1,316	-	1,316
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	49,160	49,160
Balance as of 31 December 2020	<u>\$3,128,979</u>	<u>\$-</u>	<u>\$1,381,263</u>	<u>\$783,394</u>	<u>\$250,969</u>	<u>\$1,176,321</u>	<u>\$(395,675)</u>	<u>\$105,693</u>	<u>\$(5,996)</u>	<u>\$6,424,948</u>	<u>\$279,978</u>	<u>\$6,704,926</u>
Balance as of 1 January 2021	\$3,128,979	\$-	\$1,381,263	\$783,394	\$250,969	\$1,176,321	\$(395,675)	\$105,693	\$(5,996)	\$6,424,948	\$279,978	\$6,704,926
Appropriation and distribution of 2020 retained earnings												
Legal reserve	-	-	-	25,226	-	(25,226)	-	-	-	-	-	-
Special reserve	-	-	-	-	39,013	(39,013)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(187,739)	-	-	-	(187,739)	-	(187,739)
Net income for the year ended 31 December 2021	-	-	-	-	-	193,271	-	-	-	193,271	43,338	236,609
Other comprehensive income (loss) for the year ended 31 December 2021	-	-	-	-	-	15,968	(50,567)	(2,740)	-	(37,339)	(2,126)	(39,465)
Total comprehensive income (loss)	-	-	-	-	-	209,239	(50,567)	(2,740)	-	155,932	41,212	197,144
Issuance of preference shares	-	300,000	1,195,878	-	-	-	-	-	-	1,495,878	-	1,495,878
Adjustments for dividends subsidiaries received from parent company	-	-	564	-	-	-	-	-	-	564	-	564
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(20,000)	(20,000)
Disposals of financial assets at fair value through other comprehensive income	-	-	-	-	-	683	-	(683)	-	-	-	-
Other	-	-	172	-	-	-	-	-	-	172	-	172
Balance as of 31 December 2021	<u>\$3,128,979</u>	<u>\$300,000</u>	<u>\$2,577,877</u>	<u>\$808,620</u>	<u>\$289,982</u>	<u>\$1,134,265</u>	<u>\$(446,242)</u>	<u>\$102,270</u>	<u>\$(5,996)</u>	<u>\$7,889,755</u>	<u>\$301,190</u>	<u>\$8,190,945</u>

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
TYC BROTHER INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

ITEMS	2021	2020	ITEMS	2021	2020
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$329,421	\$407,901	Acquisition of financial assets at fair value through other comprehensive income	(59,822)	-
Adjustments for:			Proceeds from redemption of financial assets at fair value through other comprehensive income	1,109	-
Income and expense adjustments:			Proceeds from capital reduction of financial assets at fair value through other comprehensive income	19,283	-
Depreciation	1,627,816	1,640,458	Acquisition of financial assets measured at amortized cost	(127,283)	(152,289)
Amortization	42,162	48,240	Proceeds from redemption of financial assets measured at amortized cost	36,496	86,393
Expected credit impairment losses (gains)	4,914	(20,050)	Acquisition of investments accounted for using the equity method	-	(16,602)
Finance costs	135,854	171,117	Acquisition of property, plant and equipment	(1,086,450)	(1,235,706)
Interest income	(3,503)	(4,460)	Proceeds from disposal of property, plant and equipment	11,817	3,761
Dividend income	(2,761)	(1,047)	Increase in refundable deposits	(5,823)	(4,610)
Share of profit of associates and joint ventures accounted for using the equity method	(71,884)	(129,050)	Decrease in refundable deposits	2,152	1,859
(Gains) Losses on disposal of property, plant and equipment	(2,366)	1,504	Acquisition of intangible assets	(23,267)	(22,508)
Reversal of impairment loss on non-financial assets	-	(49,399)	Increase in other non-current assets	(25,094)	(51,843)
Unrealized profit on sales	10	21	Decrease in other non-current assets	21,404	56,490
Realized profit on sales	(21)	(31)	Net cash used in investing activities	(1,235,478)	(1,335,055)
Others	(4)	(68)			
Changes in operating assets and liabilities:			Cash flows from financing activities:		
Financial assets at fair value through profit or loss	(1,034)	410	Increase in short-term borrowings	1,744,775	1,889,575
Notes receivable	(1,543)	4,406	Decrease in short-term borrowings	(1,050,358)	(2,724,900)
Notes receivable-related parties	(6,738)	5,436	Increase in short-term notes and bills payable	800,000	70,000
Accounts receivable	(190,450)	431,935	Decrease in short-term notes and bills payable	(160,192)	(659,354)
Accounts receivable-related parties	(37,525)	(16,268)	Proceeds from long-term borrowings	2,777,784	4,040,684
Other receivables	(48,641)	72,311	Repayment of long-term borrowings	(2,416,016)	(3,362,065)
Inventories	(1,186,658)	275,603	Increase in other long-term borrowings	-	823
Other current assets	25,933	(48,668)	Decrease in other long-term borrowings	(1,999,439)	-
Financial liabilities at fair value through profit or loss	(13,443)	13,608	Cash payment for the principal portion of the lease liabilities	(196,884)	(184,387)
Notes payable	(10,271)	67,251	Increase in other non-current liabilities	575	6,166
Accounts payable	(895)	228,520	Decrease in other non-current liabilities	(2,843)	(9,512)
Accounts payable-related parties	(56,872)	110,463	Cash dividends	(187,175)	(436,741)
Other payables	38,304	(19,552)	Proceeds from issuing stock	1,495,878	-
Other current liabilities	1,535	9,758	Change in non-controlling interests	(20,000)	49,160
Net defined benefit pension liabilities	(31,168)	(28,338)	Net cash provided by (used in) financing activities	786,105	(1,320,551)
Cash generated from operations	540,172	3,172,011			
Interest received	3,503	4,460	Effect of exchange rate changes on cash and cash equivalents	(82,449)	(150,342)
Dividend received	105,861	34,692	Net (decrease) increase in cash and cash equivalents	(91,393)	52,005
Interest paid	(144,951)	(184,693)	Cash and cash equivalents at beginning of year	989,964	937,959
Income tax paid	(64,156)	(168,517)	Cash and cash equivalents at end of year	\$898,571	\$989,964
Net cash provided by operating activities	440,429	2,857,953			

(The accompanying notes are an integral part of the consolidated financial statements.)

## D. Earnings Distribution Proposal

TYC Brother Industrial Co., Ltd

### Earnings Distribution Proposal

December 31, 2021

Unit: NT\$

Item	Amount	
	Sub-total	Total
Balance of January 1, 2020		<u>924,063,537</u>
Plus: Actuarial profit (loss) recognized in retained earnings	(10,358,764)	
Unappropriated surplus after adjustment		<u>913,704,773</u>
Net Income of 2020	262,616,044	
Less: Legal surplus reserve	(25,225,728)	
Less: Special surplus reserve	(39,013,322)	
Distributable earnings of December 31, 2020		<u>198,376,994</u>
Accumulated distributable earnings		<u>1,112,081,767</u>
Allocated items		
Cash dividends	187,738,729	<u>187,738,729</u>
Unappropriated earnings of December 31, 2020		<u>924,343,038</u>

Chairman: Wu, Chun-Chi    CEO: Chen, Chin-Chao    Accountant: Weng, Yi-Feng

## **E. Procedures for Acquisition or Disposal of Assets**

### **TYC Brother Industrial Co., Ltd**

#### **Procedures for Acquisition or Disposal of Assets**

##### Article 1

###### Purpose and Governing Regulations

To ensure assets management reinforcement and all relevant information is disclosed publicly, these procedures are promulgated pursuant to the provisions of Article 36-1 of the Securities and Exchange Act, Regulations Governing the Acquisition and Disposal of Assets by Public Companies and are adopted in accordance with company requirements.

##### Article 2

###### Scope of Assets

1. Securities: Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real estate (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
3. Memberships.
4. Intangible assets: Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Right-of-use assets.
6. Derivatives.
7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
8. Other major assets.

##### Article 3

###### Assessment and Appraisal Procedures for Acquisition and Disposal of Assets

1. The acquisition or disposal of various assets of the company shall be conducted after approval in compliance with the relevant regulations of the company's internal control system.
2. Where the Company acquiring or disposing long and short-term respective securities, the financial department shall conduct cost-effectiveness analysis and assess potential risks. Where the Company acquiring and disposing real-estate and equipment, all relevant departments shall initiate capital expenditure planning, conduct feasibility assessment on the purpose of acquisition or disposal and anticipated benefits, and submit to financial

department for capital expenditure budget and implementation and control in compliance. Where acquiring real estate from a related party, in addition to the joint construction contract, a cash income and expenditure forecast table for each month in the next year starting from the scheduled contract month shall be conducted, and its necessity and the reasonableness of the use of funds shall be evaluated.

3. The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).
4. Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.
5. Where the amount of the acquired or disposed real estate and equipment reaches the standard of announcement and declaration stipulated in this procedure, an appraisal report from an objective and impartial professional real estate appraiser shall be obtained, and the procedure for asset evaluation shall be conducted in compliance with this Procedure.
6. The calculation of the transaction amounts referred to in the preceding articles shall be done in accordance with Article 6, paragraph 1 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

#### Article 4

#### Procedure for determining trading terms

1. Company engaging in acquisition or disposal of assets, when the transaction meets the requirements in this Procedure as notification and reporting standard, shall be approved by one-half or more of all audit committee members and submitted to the board of directors for a resolution; on the other hand, the Chairman shall be duly authorized if the transaction does not reach notification and reporting standard. If approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.
2. Acquisition or disposal of assets thereof in compliance with Article 185 in Company Law shall be submitted for resolution and approval in the shareholders meeting.
3. The method of resolutions over prices of preceding assets and its reference basis shall further comply with the following provisions:
  - A. Acquisition or disposal of respective securities traded on centralized exchange market or Taipei Exchange shall be determined based on the current equity or bond prices.
  - B. Acquisition or disposal of respective securities not traded on centralized exchange market or Taipei Exchange shall be taken into consideration with net value per share, technology and profitability, future development potential, market interest rates, bond coupon rates and debtor's credit as well as the most recent trading price.
  - C. The acquiring or disposing of real estate, equipment or right-of-use assets shall be negotiated with reference to announced present value, assessed present value, actual transaction price or book value of neighboring real estate, quotations from suppliers, and so on. If the transaction does not reach notification and reporting standard regulated in this Procedure, other professional appraisers shall be conducted for appraisal.
  - D. Acquisition or disposal of memberships, potential benefits shall be considered as well as most recent trading price. Acquisition or disposal of patents, copyrights, trademarks, franchise rights, and other intangible assets, international or market practices, lifetime and the impact on Company's technology and business shall be considered.
  - E. Company that conducts a merger, demerger, acquisition, or transfer of shares shall review business nature, net value per share, asset worth, technology and profitability, production capacity and future development potential.
4. Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio,



acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.

## Article 5

### Execution unit

The execution unit of the company for long and short-term respective securities investment is the financial department, and the execution unit of real estate and equipment is the user department and relevant authorities

## Article 6

### Public announcement and regulatory filing procedures:

#### 1. Public announcement standard and regulatory filing procedures

Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:

- A. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- B. Merger, demerger, acquisition, or transfer of shares.
- C. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the "Procedures Governing the Derivatives Trading" adopted by the company.
- D. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million or more.

- E. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million.
  - F. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area, or the amount of transaction reaches 20 percent or more of paid-in capital or NT\$300 million. Provided, this shall not apply to the following circumstances:
    - (1) Trading of domestic government bonds.
    - (2) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
    - (3) Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
- 2. The Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.
  - 3. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:
    - A. Change, termination, or rescission of a contract signed in regard to the original transaction.
    - B. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
    - C. Change to the originally publicly announced and reported information.

## Article 7

### The Procedures of Assets Value Evaluation

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

1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have

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

5. Except where a limited price or specified price is employed as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a legitimate reason for the delay, the report, and the certified public accountant's opinion under subparagraph 3 of the preceding paragraph, shall be obtained within 2 weeks counting inclusively from the date of occurrence.

## Article 8

### The Scope and Limitation of Investment

Company and its subsidiaries, in addition to acquiring assets or right-of-use assets for operating use, may engage in investment of real estate for non-operating use and securities, and its limitation are as follows:

1. The total amount of acquisition of real estate and right-of-use assets for non-operating purpose shall not exceed 40 percent of Company's net value, and subsidiaries shall not exceed 40 percent of its net value.
2. The amount of investment in security shall not exceed 100 percent of Company's net value, and subsidiaries shall not exceed 100 percent of its net value.
3. The total amount of investment in each security shall not exceed 40 percent of Company's net value, and subsidiaries shall not exceed 40 percent of its net value.

## Article 9

### Control and Management in Subsidiaries Engaging in Acquisition and Disposal of Assets

1. Subsidiaries shall establish "Procedures for Acquisition or Disposal Assets" in compliance with provisions in "Regulations Governing the Acquisition and Disposal of Assets by Public Companies." After the procedures have been approved by the board of directors, they shall be submitted to a shareholders' meeting for approval; the same applies when the procedures are amended.

Definition of subsidiaries shall be regulated and recognized under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

2. Subsidiaries engaging in acquisition or disposal of assets shall conduct in compliance with provisions in "Procedures for Acquisition or Disposal Assets."
3. Subsidiaries of this company, that is not itself a public company in Taiwan, having acquisition or disposal of assets that meet the standards that should be announced and

reported in this procedure, shall notify the company to publish, report and copy to relevant units within 2 days counting inclusively from the date of occurrence of the event. The standards for subsidiaries, that should be announced and reported in this procedure, of 20 percent of the paid-in capital or 10 percent of the total assets shall be subject to paid-in capital or total assets of the company; and the announcement and report of the subsidiaries shall be handled by the company on its behalf.

## Article 10

### Penalty

When the personnel of the company engaging in acquisition or disposal of assets violate the provisions in this Procedure, their assessment shall be submitted pursuant to the Company's personnel management measures and employee handbook and their punishment shall be conducted according to the severity of the situation.

## Article 11

### Handling Procedure for Acquisition of real estate from or to a related party

#### 1. Recognition Basis:

When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of this Procedure.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 3 herein.

Definition of a related party shall be regulated and recognized under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### 2. Resolution Procedure:

When the Company intends to acquire or dispose of real estate or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real estate or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds

or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, entering into a transaction contract or making a payment may not be proceeded until the following matters have been approved by the audit committee and board of directors:

- A. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- B. The reason for choosing the related party as a transaction counterparty.
- C. With respect to the acquisition of real estate or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with paragraph 3 and 4 in this Article.
- D. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
- E. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- F. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with this article.
- G. Restrictive covenants and other important stipulations associated with the transaction.
- H. Where the position of independent director has been created, when a matter is submitted for discussion by the board of directors pursuant to paragraph 1, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

3. Evaluation of the reasonableness of the transaction terms:

The Company that acquires real estate or right-of-use assets thereof from a related party, except for the following four situations, such as the related party acquired the real estate or right-of-use assets thereof through inheritance or as a gift; or more than 5 years will have elapsed from the time the related party signed the contract to obtain the real estate or right-of-use assets thereof to the signing date for the current transaction; or the real estate is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land; or the real estate right-of-use assets for business use are acquired by the Company with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds

100 percent of the issued shares or authorized capital, shall evaluate the reasonableness of the transaction costs by the following means, and request for CPA's review and specific opinions:

- A. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
  - B. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.
  - C. Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.
4. Conduct items for uniformly lower than the transaction price:

When the results of the Company's appraisal conducted in accordance with paragraphs of the preceding Article are uniformly lower than the transaction price, except for the following situations and objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, the matter shall be handled in compliance with Article 3 in this Procedure.

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

- (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as

announced by the Ministry of Finance, whichever is lower.

- (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.

- B. Where the Company acquiring real estate from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

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

Where the Company acquires real estate or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the provisions in this preceding article are uniformly lower than the transaction price, and there is no such circumstances as paragraph 1 and 2 in this Article, the following steps shall be taken:

- (1) A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real estate transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. A special reserve may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.
- (2) The audit committee shall comply with Article 218 of the Company Act.
- (3) Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the



annual report and any investment prospectus.

## Article 12

### Engaging in Derivatives Trading

Company engaging in derivatives trading shall conduct in compliance with “Handling Procedure for Derivatives Trading” of the company and shall pay attention to matters of risk management and assessment in order to fulfill internal control system.

## Article 13

### Mergers, Demergers, Acquisitions, and Transfer of Shares

1. Company engaging a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the company directly or indirectly holds 100 percent of the respective subsidiaries’ issued shares or authorized capital.
2. Company participating in a merger, demerger or acquisition shall prepare a public report to shareholders detailing important contractual content and matters prior to the shareholders meeting and include it along with the expert opinion referred to in the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to any cause, or the proposal is rejected by the shareholders meeting, the company shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.
3. Unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent, the company participating in a merger, demerger, or

acquisition shall convene a board of directors meeting and shareholders meeting with other involving companies on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition; and the company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction with other involving companies.

4. Share exchange ratio or acquisition price:

The share exchange ratio or acquisition price of a merger, demerger, acquisition, or transfer of shares may not be arbitrarily altered unless under the below-listed circumstances.

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

5. The contract for participation shall record the following:

The contract for participation by the company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the participating companies, the circumstances of the share exchange ratio or acquisition price, and shall also record the following.

- A. Handling of breach of contract.
- B. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished or that is demerged.
- C. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the

principles for handling thereof.

- D. The manner of handling changes in the number of participating entities or companies.
  - E. Preliminary progress schedule for plan execution, and anticipated completion date.
  - F. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
6. Company engaging in mergers, demergers, acquisitions or transfer of shares shall pay attention to other related matters:
- A. Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company.
  - B. After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
  - C. When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the relative information to the FSC for recordation.
  - D. Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is not a public company, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding Article 4 and two paragraphs.

## Article 14

### Other significant matters

1. Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.
2. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions may not be a related party to the transaction.
3. After the procedures have been approved by the audit committee, they shall be submitted to the board of directors, and then to a shareholders' meeting for approval; the same applies when the procedures are amended.

## F. Comparison table of articles before and after the amendment of Guidelines Governing Election of Directors

Article	Before amendment	After amendment	Reason
Article 2, Scope of Assets	<ol style="list-style-type: none"> <li>1. <u>Securities</u>: Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</li> <li>2. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.</li> <li>3. Memberships.</li> <li>4. <u>Intangible assets</u>: Patents, copyrights, trademarks, franchise rights, and other intangible assets.</li> <li>5. Right-of-use assets.</li> <li>6. Derivatives.</li> <li>7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</li> <li>8. Other major assets.</li> </ol>	<ol style="list-style-type: none"> <li>1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</li> <li>2. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.</li> <li>3. Memberships.</li> <li>4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</li> <li>5. Right-of-use assets.</li> <li>6. <u>Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</u></li> <li>7. Derivatives.</li> <li>8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</li> <li>9. Other major assets.</li> </ol>	Alignment to laws and regulations
Article 3, Assessment and Process Procedures for Acquisition and Disposal of Asset	<p>Omit</p> <ol style="list-style-type: none"> <li>3. The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence</li> </ol>	<p>Omit</p> <ol style="list-style-type: none"> <li>3. The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence</li> </ol>	Alignment to laws and regulations

Article	Before amendment	After amendment	Reason
	<p>of the event to provide an opinion regarding the reasonableness of the transaction price. <u>If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u> This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p> <p>4. Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; <u>the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u></p> <p>Omit (New edition)</p>	<p>of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p> <p>4. Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.</p> <p>Omit</p> <p>7. Where the company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	
Article 4, Procedure for determining trading terms	<p>Omit</p> <p>4. Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and</p>	<p>Omit</p> <p>Deletion</p>	Alignment to laws and regulations

Article	Before amendment	After amendment	Reason
	submit it to the board of directors for deliberation and passage.		
Article 6, Public announcement and regulatory filing procedures	<p>1. Public announcement standard and regulatory filing procedures</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format <u>and content</u> as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event.</p> <p>Omit</p> <p>D. Where <u>assets type belonging to</u> equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million or more.</p> <p>E. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>Omit</p> <p>(1) Trading of domestic government bonds.</p> <p>Omit</p> <p>(3)Where done by professional</p>	<p>1. Public announcement standard and regulatory filing procedures</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event.</p> <p>Omit</p> <p>D. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million or more.</p> <p>E. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and the counterparty is not a related party</u>, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>Omit</p> <p>(1) Trading of domestic government bonds or <u>foreign public bonds with a credit rating not lower than Country's sovereign rating</u>.</p> <p>Omit</p> <p>(3)Where done by professional</p>	Alignment to laws and regulations

Article	Before amendment	After amendment	Reason
	<p>investors—securities trading on <u>international or local</u> securities exchanges or OTC markets, or <u>local</u> subscription of ordinary corporate bonds or general bank debentures without equity characteristics, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>Omit</p>	<p>investors—securities trading on securities exchanges or OTC markets, or overseas bonds or subscription of ordinary corporate bonds and general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or redemption of index investment securities), or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>Omit</p>	
Article 7, The Procedures of Assets Value Evaluation	<p>Omit</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal <u>in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF)</u> and render a specific</p>	<p>Omit</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>Omit</p>	Alignment to laws and regulations



Article	Before amendment	After amendment	Reason
	<p>opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>Omit</p> <p>5. Except where a limited price or specified price is employed as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a legitimate reason for the delay, the report, and the certified public accountant's opinion under subparagraph 3 of the preceding paragraph, shall be obtained within 2 weeks counting inclusively from the date of occurrence.</p>	<p>5. Except where a limited price or specified price is employed as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a legitimate reason for the delay, the report shall be obtained within 2 weeks counting inclusively from the date of occurrence, and the certified public accountant's opinion under subparagraph 3 of the preceding paragraph, shall be obtained <u>within 2 weeks counting inclusively from the date of appraisal report.</u></p>	
Article 9, Control and Management in Subsidiaries Engaging in Acquisition and Disposal of Assets	<p>Omit</p> <p>3. Subsidiaries of this company, that is not itself a public company in Taiwan, having acquisition or disposal of assets <u>that meet the standards that should be announced and reported in this procedure, shall notify the company to publish, report and copy to relevant units within 2 days counting inclusively from the date of occurrence of the event. The standards for subsidiaries, that should be announced and reported in this procedure, of 20 percent of the paid-in capital or 10 percent of the total assets shall be subject to paid-in capital or total assets of the company; and the announcement and report of the subsidiaries shall be handled by the company on its behalf.</u></p>	<p>Omit</p> <p>3. <u>Information required to be publicly announced and reported in accordance with the provisions of the preceding Chapter on acquisitions and disposals of assets by the company's subsidiary that is not itself a public company in Taiwan shall be reported by the company itself.</u></p> <p><u>The paid-in capital or total assets of the subsidiary of the company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing under Article 6, paragraph 1.</u></p>	Alignment to laws and regulations
Article 11, Handling Procedure for Acquisition of real estate from or to a related party	<p>Omit</p> <p>1. Recognition Basis:</p> <p>Omit</p> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 3 herein.</p> <p>Omit</p>	<p>Omit</p> <p>1. Recognition Basis:</p> <p>Omit</p> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 3 herein.</p> <p>When defining whether the transaction object is a related</p>	Alignment to laws and regulations

Article	Before amendment	After amendment	Reason
	2.Resolution Procedure: omit (new edition)	<p>party, in addition to its legal form, the substantive relationship shall also be considered.</p> <p>Omit</p> <p>2.Resolution Procedure: omit</p> <p>i. <u>Where an audit committee has been established in accordance with the provisions of the Act, when the procedures for the acquisition and disposal of assets are adopted or amended they shall be approved by one-half or more of all audit committee members and submitted to the board of directors for a resolution.</u></p> <p><u>If approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</u></p> <p>j. <u>When the company or its subsidiary that is not a domestic public company engaging in first transaction, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall submit the information listed in paragraph 1 to the shareholders' meeting for approval, and afterwards the transaction contract and payment transfer shall be conducted. However, the transaction between the company and its parent company, subsidiaries, or its subsidiaries in between shall not be limited to this. The calculation of the transaction</u></p>	

Article	Before amendment	After amendment	Reason
	<p>Omit</p> <p>4. Conduct items for uniformly lower than the transaction price:</p> <p>Omit</p> <p>B. Where the Company acquiring real estate from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Omit</p>	<p><u>amounts referred to in Article 1 and the preceding paragraph shall be made in accordance with Article 6, paragraph 1 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by shareholders' meeting and the board of directors and recognized by the audit committee need not be counted toward the transaction amount.</u></p> <p>Omit</p> <p>4. Conduct items for uniformly lower than the transaction price:</p> <p>Omit</p> <p>B. Where the Company acquiring real estate <u>or right-of-use of leased property</u> from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Omit</p>	
Article 13, Mergers, Demergers, Acquisitions, and Transfer of Shares	<p>Omit</p> <p>6. Company engaging in mergers, demergers, acquisitions or transfer of shares shall pay attention to other related matters:</p> <p>A. Every person participating in or privy to the <u>demand</u> for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public</p>	<p>Omit</p> <p>6. Company engaging in mergers, demergers, acquisitions or transfer of shares shall pay attention to other related matters:</p> <p>A. <u>Every</u> person participating in or privy to the <u>plan</u> for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information <u>related to mergers, demergers, acquisition or</u></p>	Alignment to laws and regulations

Article	Before amendment	After amendment	Reason
	disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company.	<u>transfer of shares</u> , and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company.	

## **G. Shareholders' Meeting Rules and Procedures**

### **TYC Brother Industrial Co., Ltd**

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

- Article 1 The Company's Shareholders' Meeting (the "Meeting") shall be conducted in accordance with these Rules and Procedures.
- Article 2 The Company shall provide an attendance book to be signed by shareholders present at the Meeting or shareholders may submit a sign-in/attendance card if they are attending the Meeting. The number of shares in terms of attendance shall be computed based on the shares indicated on the attendance book and sign-in cards plus the number of shares with voting rights exercised electronically or via correspondence.
- Article 3 The attendance and voting of shareholders shall be calculated based on the numbers of shares.
- Article 4 The Meeting shall be held at the same city/county where the head office is located or at any other appropriate place that is convenient to shareholders. The Meeting shall begin not earlier than 9:00 a.m. or later than 3:00 p.m.
- Article 5 The Chairman of the Board of Directors shall preside over the Meeting. In case the Chairman is on leave or unable to exercise his/her powers for any reason, the Vice Chairman of the Board shall take his/her place as Chairman. If the Vice Chairman of the Board of Directors is also on leave or unable to perform his/her duties, the Chairman shall appoint one of the directors as substitute. If there is no appointee, the directors shall select from among themselves one person to act on the behalf of the Chairman.
- Article 6 The Company may choose to have a designated counsel, CPA or other related persons to attend the Meeting. The appointee should wear an identification card or badge at the Meeting.
- Article 7 There will be audio and video recording of the Meeting, which shall be preserved for at least one year.
- Article 8 The Chairman shall call the Meeting to order once the shareholders in attendance represent more than half of the total outstanding shares. If the number of shares represented by the shareholders in attendance fails to achieve a quorum at the scheduled Meeting time, the Chairman may postpone the time of the Meeting. The postponements shall be limited to two times at the most and the Meeting should not be postponed for more than one hour. If after two postponements, no quorum can yet be constituted but the shareholders present at the Meeting

represent more than one-third of the total outstanding shares, tentative resolutions may be made by those present at the Meeting with more than half of the voting rights. If after coming up with the tentative resolutions mentioned above, the shareholders who are in attendance, representing the number of outstanding shares, are able to reach a quorum, the chairman may submit the tentative resolutions for approval in accordance with Article 174 of the Company Act.

Article 9 The agenda of the Meeting shall be set by the Board of Directors, and unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda.

The above provision applies *mutatis mutandis* to cases wherein the Meeting is convened by any person other than the Board of Directors, who is entitled to convene such Meeting.

Unless otherwise resolved, the Chairman may not adjourn the meeting before all items in the agenda (including extemporary motions) have been discussed. In the event that the Chairman adjourns the meeting in violation of the Rules, one person shall be designated as chairman by a majority of votes represented by the members in attendance, in order to proceed with the meeting.

The shareholders cannot designate any other person as chairman in order to continue the Meeting at the same place or another after adjournment of the Meeting is announced.

Article 10 (Deleted)

Article 11 When a shareholder present at the Meeting wishes to speak, a Speech Note containing a summary of the speech, the shareholder's number (or Attendance Card number) and the name of the shareholder, should be filled out. The sequence of shareholder speeches shall be decided by the Chairman.

If any shareholder present at the Meeting submits a Speech Note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of a shareholder's speech are inconsistent with the contents of the Speech Note, the contents of the actual speech shall prevail.

Unless otherwise permitted by the chairman and the shareholder, no shareholder shall interrupt the speech of other shareholders; otherwise the Chairman shall put an end to such disruption.

Article 12 Unless otherwise permitted by the chairman, each shareholder shall not speak more than two times (each time not exceeding 5 minutes) for each discussion item.

In case the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the Chairman may stop the shareholder from

speaking.

Article 13 Any legal entity designated as proxy by a shareholder to attend a Meeting on his/her behalf, may appoint only one representative.

If a corporate shareholder designates two or more representatives to attend the Meeting, only one representative is allowed to speak.

Article 14 After the speech of a shareholder, the Chairman may personally respond or appoint an appropriate person to respond.

Article 15 The Chairman may announce to end the discussion of any resolution and proceed with the voting if he/she deems it appropriate.

Article 16 The persons to check and record the ballots during the voting process shall be appointed by the Chairman. The person(s) checking the ballots should be a shareholder(s). The voting result shall be announced at the Meeting and placed on record.

Article 17 During the Meeting, the Chairman may, at his discretion, set time for intermission.

Article 18 Except otherwise specified in the Company Act or the Articles of Incorporation, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting.

When voting on each proposal, the chairperson or any designated person shall announce the number of votes represented by members (present at the Meeting) who shall then vote on each proposal. On the same day after the shareholders' meeting, such resolutions (i.e., consent, opposition and waiver) shall be uploaded onto the MOPS.

Article 19 If there is any amendment or modification to be made on a discussion item, the Chairman shall decide the sequence of voting for such item, amendment or modification. If any of them has been adopted, the rest shall be deemed vetoed and no further voting is necessary.

Article 20 The Chairman may assign disciplinary officers or security personnel to assist in maintaining order at the Meeting venue. The disciplinary officers or security personnel shall wear badges with "Disciplinary Officers" indicated for identification.

Article 21 Any matter not provided in the Rules and Procedures shall be handled in accordance with the Company Act and Articles of Incorporation.

Article 22 These Rules and Procedures shall take effect from the date of approval during the Shareholders' Meeting. The same applies to revisions.

## **H. Articles of Incorporation**

### **TYC Brother Industrial Co., Ltd. Articles of Incorporation**

#### **Chapter 1: General Provisions**

##### **Article 1**

The Corporation is a company limited by shares under the Company Act with the Chinese name 堤維西交通工業股份有限公司 and English name - TYC Brother Industrial Co., Ltd.

##### **Article 2**

The Company's nature of business is as follows:

1. Automobile and motorcycle parts (Manufacturing, processing and sales of lighting equipment, engines, car body parts, car lights, horns, electrical products, radio tape recorders, cigarette lighters, car mirrors, trims, rim covers, door handles, door locks, starter switch locks, dashboards , rear-view mirrors, vehicle detection instruments)
2. Manufacturing, processing and sales of aviation/aircraft parts and nautical/ship spare parts
3. Manufacturing, processing and sales of transportation machinery and parts
4. Manufacturing and assembly of AC/DC air compressors, vacuum cleaners, waxing machines, oil pumping units and maintenance equipment.
5. Manufacturing, processing and sales of plastic injection molding products (plastic parts for vacuum cleaners, waxing machines, air compressors and so on, as well as auto parts).
6. Import and export business of abovementioned items
7. Handling quotation, bidding and distribution of abovementioned products for domestic and foreign manufacturers (as agent)
8. All businesses not prohibited or restricted by law, except those that are subject to special approval

##### **Article 3**

The Company is entitled to reinvest, and the total amount of reinvestment shall not be limited to no more than 40% of the Corporation's paid-up capital as provided in Article 13 of the Company Act.

##### **Article 4**



The Company may provide endorsement and guarantee, and act as a guarantor.

#### Article 5

The Company shall establish its head office in Tainan City, Taiwan, Republic of China, and shall set up domestic and overseas branches or representative offices, subject to approval of the Board of Directors and as deemed necessary by the Company.

#### Article 6

The Company's public announcements shall be handled in accordance with Article 28 of the Company Act.

## **Chapter 2: Shares**

#### Article 7

The total capital stock of the Company is NT\$4 Billion, divided into 400,000,000 shares at NT\$10 each, and may be paid in installments. Unappropriated shares shall be set aside subject to the resolution of the Board of Directors based on actual requirements; these are partially recognized as preferred shares.

#### Article 7-1

The rights and obligations as well as other significant conditions related to the distribution of Preferred Shares may be subject to the following terms:

1. Preferred dividends are capped at an annual rate of 8% and the calculation is based on the issue price per share. The dividends can be distributed in cash once a year. After the financial report is presented at the annual Shareholders' Meeting, the Board of Directors or the chairman authorized by the Board of Directors can set the base date for payment of dividends specified in the previous year. The publication year and distribution of annual dividend reversal are based on the actual number of distribution days in a year. The publication date is defined as the capital increase base date for distribution of preferred shares.
2. The company has discretionary powers in the distribution of preferred dividends. If there is no or insufficient surplus of preferred dividends for distribution, the Company may choose not to issue preferred dividends, without the objection of preferred shareholders. The Board of Directors shall draft a surplus distribution proposal in accordance with Article 32 of

the Articles of Incorporation and submit this to the shareholders for approval. The surplus distribution proposal after approval pertains to the amount of appropriated surplus that can be distributed as preferred shares and common shares. Preferred shares are prioritized while the rest shall be handled in accordance with relevant provisions of the Company's Articles.

3. If the issued preferred shares are non-cumulative, the undistributed or under-distributed dividends shall not be accumulated and payment shall be deferred with surplus in subsequent years.
4. In addition to receiving dividends specified in the first paragraph of this Article, preferred shareholders shall not participate in the distribution of common shares connected to surplus and capital reserve as cash and appropriate capital.
5. When the company distributes new shares in cash, shareholders of preferred and common shares have equal preemptive rights.
6. In terms of the order of distribution of the Company's remaining assets preferred shareholders have the priority over common shareholders. The order of compensation is the same as that of shareholders of other preferred shares issued by the company, which are inferior to general creditors, but with a limit of no more than the distribution of preferred and outstanding shares based on the issuing price at that time.
7. Preferred shareholders are not authorized to pass resolutions and vote in elections of directors. They are entitled to attend shareholders' meetings or have the right and obligations relevant to preferred shares.
8. Preferred shares cannot be converted into common shares.
9. There is no expiry date for preferred shares. Preferred shareholders should not request for reversal of preferred shares. The Company may reverse all or part of the preferred shares at any time based on the original issue price after the five-year issuance period expires. The rights and obligations of unrecovered preferred shares shall remain based on the aforesaid conditions of issuance. If the company decides to issue dividends in the current year, these shall be calculated based on the actual number of issuance days in that year.
10. The capital reserve created through share premium shall not be recorded during the issuance period of preferred shares.

The Board of Directors is authorized to determine the name, issuance date

and specific conditions of issuance of preferred shares based on capital market conditions and investors' willingness in accordance with the company's Articles of Incorporation and relevant laws and regulations during the time of actual issuance.

#### Article 8

The Company's share certificates shall bear names along with affixed signatures and seals of directors who are the Company's representatives, and shall be issued after legal certification. There is no obligation to print share certificates for the Company. However, registration shall be made with a securities custodian.

#### Article 8-1

The stocks issued by the Company can be combined and exchanged for large-denomination stocks in response to TDCC requirements.

#### Article 9

Shareholders should report their real names and addresses to the company, and fill in the seal card and send it to the company for storage and verification. In case of lost seal, shareholders of the Company should refer to the "Guidelines for Stock Operations for Public Companies".

#### Article 10

When shareholders receive dividends from the company or exercise power, the seal stored by the Company needs to be recognized as proof.

#### Article 11

Stock transfers require endorsement to a registered shareholder of the company, as well as the real name or title of the transferee. The transferee's real name or title and address shall be recorded in the list of Company shareholders.

#### Article 12

Matters such as transfer and pledge of stock rights as well as impairment loss of shares shall be conducted in accordance with the Company Act and other general laws and regulations.

#### Article 13

When stocks are reissued or renewed due to loss or other reasons, handling fees and stamp duties shall be levied.

#### Article 14

Registration for transfer of shares shall be suspended sixty (60) days before the regular shareholders' meeting, and thirty (30) days before the date of any special shareholders'

meeting, or within five (5) days before the Company's scheduled payment date of dividend, bonus, or any other benefit.

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

#### **Article 15**

There are two types of Company shareholders' meetings: (1) Regular meetings and (2) Special meetings

(1) Regular meetings: convened by the Board of Directors, within six (6) months after the close of each fiscal year and shareholders are notified at least thirty (30) days in advance

(2) Special meetings: convened when necessary in accordance with relevant laws, rules and regulations

Shareholders' Meeting for preferred stockholders shall be convened when necessary in accordance with relevant laws, rules and regulations.

#### **Article 16**

Any shareholder who cannot attend a shareholders' meeting for any reason may assign a proxy, specifying the scope of authorization. He/she must affix his/her signature and seal on the proxy form, allowing the designated representative to attend the meeting on his/her behalf in accordance with Article 177 of the Company Act.

#### **Article 17**

The shareholders' meeting shall be presided over by the Chairman of the Company's Board of Directors. In his absence, the Vice Chairman of the Board of Directors shall act on his/her behalf. If the Vice Chairman is also absent, one of the Directors appointed by the Chairman shall preside over the Meeting. If there is no appointee, the directors shall elect among themselves one person to act as chairman.

#### **Article 18**

Unless otherwise regulated, each shareholder of the Company is entitled to one voting right.

#### **Article 19**

Unless otherwise provided in the Company Act, resolutions shall be approved by shareholders (representing the majority of voting rights) who are present at the meeting attended by shareholders representing majority of all outstanding shares.

Shareholders of the company can also exercise their voting rights electronically. Shareholders who exercise their voting rights electronically are deemed to be present in person, and related

matters shall be handled in accordance with the law and regulations.

#### Article 20

The resolutions passed at the shareholders' meeting shall be recorded in the minutes of the meeting, which in turn shall be signed by or sealed with the chop of the Chairman. The minutes shall be distributed to all shareholders within 20 days after the meeting.

The Company may distribute the meeting minutes by means of a public announcement. The meeting minutes should accurately record the year, month, day, and place of the meeting, as well as the chairman's full name, methods by which the resolutions were adopted, and a summary of the deliberations and their results. The attendance book signed by the shareholders present at the Meeting and the proxy attendance letter shall be stored for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, these records shall be retained until the conclusion of the litigation.

### **Chapter 4: Directors**

#### Article 21

The Company has 7 to 9 directors to be elected from a list of candidates by the shareholders based on a candidate nomination system. Directors serve a 3-year term and may be re-elected after their term ends.

According to the previous Article, there shall be no less than 2 independent directors and no less than one fifth of independent directors out of the total number of directors.

The professional qualifications, shareholding, restrictions on holding other positions, nomination and election processes, and other compliance issues related to independent directors shall be addressed in accordance with applicable regulations implemented by a competent securities authority.

The Company has established an Audit Committee in accordance with Article 14-4 of the Securities Transaction Act, composed of all independent directors responsible for performing their duties as supervisors in accordance with the Company Act, the Securities Transaction Act and other legislations.

#### Article 22

In case of vacancies on the Board of Directors (i.e., one third of the total number of Directors), the Board of Directors shall convene a shareholders' meeting to elect new Directors in accordance with relevant laws, rules and regulations; in addition, the new Directors shall serve the remaining term of their predecessors.

## Article 23

When the term of office of a director expires before the re-election period, the executive duties of the director shall be extended until the new director takes office.

## Article 24

The board of directors is composed of a chairman and vice chairman selected by directors from among themselves to act as the Company's representatives with the approval of the majority of directors present at the meeting attended by two-thirds of all directors. Directors shall conduct all business affairs of the Company in accordance with the law, regulations, and resolutions passed by the Board of Directors.

### Article 24-1

Company directors who perform their duties may receive remuneration regardless of the company's operating profit or loss. The Board of Directors shall determine the directors' remuneration based on the value of involvement and contribution to company operations, not exceeding the maximum salary level according to the company's salary assessment standards. If there is a surplus, remuneration shall be disbursed in accordance with Article 32.

## Article 25

The operating policies and other significant matters concerning the Company are resolved by the Board of Directors. The first meeting of every session shall be organized in accordance with Article 203 of the Company Act. The Chairman shall convene and preside over the Meeting. If the Chairman is unable perform his/her duties, the Vice-chairman shall act on his/her behalf, and if the Vice-chairman is also unable to perform his/her duties, the Chairman shall appoint one of the directors to act on his/her behalf. If there is no appointee, the directors shall select among themselves one person to preside over the Meeting as chair.

### Article 25-1

To convene a board meeting, a notice shall be given to each director 7 days in advance, with the agenda specified. However, in case of emergencies, board meetings may be held at any time.

The abovementioned notice may be sent in writing, by fax or by email.

## Article 26

Unless otherwise stipulated in the Company Act, the board meeting must be attended by more than half of the directors, with the consent of more than half of the directors present. Any director who cannot attend a board meeting for any reason may assign a proxy, specifying the scope of authorization and designating another director to attend the meeting

on his/her behalf. A proxy may only represent one person.

Board meetings may be held through video conferencing. Any director participating in a meeting through video conference shall be deemed to have attended the meeting in person.

#### Article 27

The resolutions of the shareholders' meeting shall be recorded in the minutes of the meeting, which in turn shall be signed by or sealed with the chop of the chairman. The minutes shall be distributed to all shareholders within 20 days after the meeting. The meeting minutes shall include a summary of the deliberations and their results. There is also an attendance book to be signed by shareholders present at the Meeting as well as a proxy attendance letter to be kept by the company.

#### Article 28 Deleted

#### Article 28-1 Deleted

### **Chapter 5: Manager and Employee**

#### Article 29

The appointment, dismissal, and remuneration of Company managers shall be handled according to Article 29 of the Company Act.

#### Article 30 Deleted

### **Chapter 6: Accounting**

#### Article 31

The company's fiscal year is set from January 1 to December 31. The Board of Directors shall compile the following statements upon completion of each accounting year and submit these to the Audit Committee for verification 30 days before the general meeting of shareholders or the Audit Committee shall entrust the verification to an accountant and submit a report to the shareholders for approval.

1. Business reports
2. Financial statements
3. Surplus distribution or loss-offset proposals

#### Article 32

If the Company generates profit in a year, no less than 1% shall be set aside for employee compensation and no more than 3% for directors' compensation. However, if the Company incurs losses, the amount of compensation shall first be provided.

#### Article 32-1

The industrial environment where the company belongs to is changing rapidly and the company is in its growth stage due to capital expenditure requirements and comprehensive financial planning, in order to achieve sustainable operations. If the Company after annual closing needs to use its net profit to compensate for losses in previous years besides paying the income tax in accordance with the law, then 10% of the amount shall be allocated as legal reserve, while the special reserve shall be provided and reversed based on an impairment loss of shareholders' equity for the year and accumulated in the previous year in accordance with regulations. The special reserve in addition to the aggregated undistributed profit in the beginning of the period is allocated as shareholders' dividends, while the rest shall be used for preferred and common stock dividends in accordance with Article 7-1 of the Company's Article of Incorporation. A proposal for the distribution of common stock dividends to shareholders (not less than 50% of distributable surplus for the year, and cash dividends not less than 10% of the total dividends) is prepared by the Board of Directors and submitted to the shareholders for resolution.

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

#### Article 33

The internal organization of the Company and detailed procedures of business operations shall be determined by the Board of Directors.

#### Article 34

With regard to matters not provided in the Articles of Incorporation, the Company Act and relevant laws and regulations shall apply.

#### Article 35

The Articles of Incorporation were set up on July 16, 1986.

The 1st amendment was made on August 25, 1986.

The 2nd amendment was made on November 8, 1986.

The 3rd amendment was made on October 22, 1987.

The 4th amendment was made on June 20, 1988.

The 5th amendment was made on November 14, 1988.

The 6th amendment was made on February 22, 1989.

The 7th amendment was made on October 16, 1989.

The 8th amendment was made on November 11, 1989.



The 9th amendment was made on January 10, 1990.

The 10st amendment was made on June 23, 1993.

The 11th amendment was made on June 9, 1994.

The 12th amendment was made on May 30, 1995.

The 13rd amendment was made on May 30, 1996.

The 14th amendment was made on April 26, 1997.

The 15th amendment was made on April 21, 1998.

The 16th amendment was made on May 20, 1999.

The 17th amendment was made on May 24, 2000.

The 18th amendment was made on May 28, 2002.

The 19th amendment was made on June 16, 2005.

The 20th amendment was made on June 21, 2006.

The 21st amendment was made on June 19, 2009.

The 22nd amendment was made on June 21, 2012.

The 23rd amendment was made on June 17, 2014.

The 24th amendment was made on June 17, 2015.

The 25th amendment was made on June 17, 2016.

The 26th amendment was made on June 22, 2017.

The 26th amendment was made on June 21, 2018.

The 25th amendment was made on June 19, 2020.

## **I. Status of Shares Held by Directors**

### **1. Minimum number of shares to be held by all directors, and number of shares recorded in the roster of shareholders**

Title	Number of outstanding shares	Number of shares currently held
All directors	13,715,915	26,567,284

### **2. List of Number of Shares Held by Each Director**

Title	Name	Number of shares currently held		
		Account no.	Common shares	Type A, Preferred shares
Chairman	Wu, Chun-Chi	1	824,081	-
Vice Chairman	Wu, Chun-Lang	2	5,401,383	-
Director	Wu, Chun-I	3	4,593,613	-
Director	Chuang, Tai-Shie	126211	-	400,000
Director	Representative, Yuan-Hong Investment Co., Ltd Chen, Chin-Chao	36341	5,354,451	-
Director	Representative, Kuo-Chi-Min Investment Co., Ltd Wu, Kuo-Chen	36340	9,931,756	62,000
Independent Director	Huang, Chung-Hui	-	-	-
Independent Director	Hou, Rong-Hsien	-	-	-
Independent Director	Hsu, Chiang	-	-	-

Note: Book Closing Date: April 25, 2022