Stock Code：1522

# T.Y.C. BROTHER IND. CO., LTD.

# 2022 Annual Report

Date of Publication: May 20, 2023

T.Y.C. annual report is available at：http://mops.twse.com.tw

Company website：http://www.tyc.com.tw

1. Spokesman:
    1.1 Name : WENG,YI-FENG
    1.2 Title: Deputy General Manager, Finance Division
    1.3 Tel: (06) 265 8781
    1.4 E-mail: tyc2524@tyc.com.tw

2. Deputy Spokesperson：
    2.1 Name：HUANG,CHIN-YUEH
    2.2 Title：Executive Assistant to the Chairman
    2.3 Tel：(06)2658781
    2.4 E-mail：nancy_huang@tyc.com.tw

3. Head office and Branch office：

| | Address | Tel |
|---|---|---|
| Head office | 72-2 Shin-leh Rd., Tainan | (06)2658781 |
| Branch factory | 377 Sec.2 Bentian Rd., Tainan | (06)3841888 |

4. Stock Transfer Agent：
    4.1 Name：Capital Securities Corporation.
    4.2 Address：RF 2nd, 97, Sec. 2, Dunhua South Rd., Taipei
    4.3 Web site：http://www.capital.com.tw
    4.4 Tel：(02)27023999

5. Certified Public Accountants for Financial Statements：
    ERNST & YOUNG, TAIWAN
    5.1 Name of Accountants：HUANG, SHIH-CHIEH、LEE,FANG-WEN
    5.2 Address： 5F, No. 189, Sec. 1, Yongfu Rd., West Central Dist.
    Tainan City 700019, Taiwan (R.O.C.)
    5.3 Web site：http://www.ey.com
    5.4 Tel：(06)2925888

6. Name of overseas marketable securities trading exchange and inquiry method: None

7. Company Website：http：// www.tyc.com.tw

# Contents

# I.Letter to Shareholders

1.Operating Performance in 2022:

(1) Consolidated financial results:

In the past year, TYC's operating revenue reached NT$19,207,226,000, a 15.87% increase from the net operating revenue of NT$16,576,615,000 for the same period in 2021, with a gross profit on sales of NT$4,183,913,000 and a net profit before tax of NT$1,267,584,000, thanks to the concerted efforts of all our employees.

Unit: (In Thousand NTD)

| Item | 2021 Performance | 2022 Performance | Growth Rate % |
|---|---|---|---|
| Operating income | 16,576,615 | 19,207,226 | 15.87% |
| Operating Costs | 13,569,207 | 15,023,313 | 10.72% |
| Gross profit | 3,007,408 | 4,183,913 | 39.12% |
| Operating Expenses | 2,578,705 | 3,297,077 | 27.86% |
| Operating Benefit | 428,703 | 886,836 | 106.86% |
| Non-operating income and expenses | (99,282) | 380,748 | (483.50)% |
| Net income before tax | 329,421 | 1,267,584 | 284.79% |
| Income tax | 92,812 | 265,723 | 186.30% |
| Net income after tax | 236,609 | 1,001,861 | 323.42% |

(2) Budget implementation:Undisclosed financial forecast for 2022.

(3) Financial Revenue and Expenditure & Profitability analysis:

| Item \ Year | | | 2021 | 2022 |
|---|---|---|---|---|
| Financial structure (%) | Debt to asset ratio | | 65.95% | 64.79% |
| | Long term capital to fixed assets ratio | | 208.22% | 218.02% |
| Profitability (%) | Return on assets (%) | | 1.48% | 4.67% |
| | Return on equity (%) | | 3.18% | 11.54% |
| | Paid-in capital ratio (%) | Operating income | 12.50% | 25.86% |
| | | Profit before tax | 9.61% | 36.97% |
| | Net profit ratio | | 1.43% | 5.22% |
| | Earnings per share (in NT$) | | 0.62 | 2.91 |

(4) Research and development status:

A. R&D expenses for the Past Two Years

(a) Research and development expenses in 2021 were NT$344,453,000, accounting for 2.08% of the operating income of 2021.

(b) Research and development expenses in 2022 were NT$375,587,000, accounting for 1.96% of the operating income of 2022.

B.Successful R&D projects:

(1) LED Asymmetry bending lense light

(2) 24 PIXEL ADB headlamp design

(3) LED multiple perspectives optical design

2.Overview of Business Plan for 2023:

(1) Operating principle

A.Continue to pass product certification and expand the performance of the relevant product group to enhance turnover and profit.

B.Actively invest in the development of electronic and electronic control technologies for smart lighting, as well as increasing optical and institutional patents to ensure technological leadership of our products.

C.Utilize internal and external resources to make the cost and quality of products more competitive.

D.Speed up the development of new products and shorten the time to market effectively in order to obtain the first market opportunity.

(2) Expected sales volume and its basis:

A.Expected sales volume:Both AM and OEM sales are expected to grow in 2023 compared to 2022, but are subject to change depending on the global COVID-19 development.

B.Sales basis:Planning based on estimated domestic and international market demand.

(3) Important Production and Marketing Policies:

A. Eliminate internal waste and continuously improve to strengthen operating quality and market price competitiveness.

B. Continue to build manpower-savings and automated production systems to improve output and production efficiency.

C. Effective management of expenditure of fixed assets, reduce the fixed cost allocationand promote the flexible use of funds.

D.Through the analysis of production and sales data, we can accurately predict the seasonal demand of the market and provide customers with more timely delivery requirements.

3. The future development strategy of the company is affected by the external competitive environment, regulatory environment and overall business environment:

Factors of IC shortage and port congestion last year had been relieved; however, the rise in raw materials still made impact on profit performance. Fortunately, the revenue of CAPA product in North America is continuously growing. As for the European and general regional markets, they will continue to increase the product group and enhance the price competitiveness of products in order to ensure that it meets the revenue targets after lifting COVID-19 restrictions and continuous rise in US rate.

We would like to thank all the shareholders for taking the time to attend the shareholders' meeting. The operation team and staff will do everything we can to meet the expectations of all shareholders. We wish you all good health and all the best.

Chairman:WU, KUO-CHEN
Manager:SU, YAN-SHUO
Chief accountant:WENG,YI-FENG

# II.Company Profile

**1.Date of Incorporation**:September 9, 1986

**2.Company History**:

(1) Status of acquisitions in the past year and as of the date of publication of the annual report: None.

(2) Status of re-investments in affiliated companies in the past year and as of the date of publication of the annual report.:Refer to page 306.

(3) Status of reorganisation in the past year and as of the date of publication of the annual report:None.

(4) Particulars about changes in shareholding and equity pledge of directors, supervisors and shareholders holding more than 10% of the company's shares in the past year and as of the date of publication of the annual report : None.

(5) Changes in operating rights, significant changes in the manner of operation or business content and other events of sufficient importance to affect shareholders' equity and their impact on the Company in the past year and as of the date of publication of the annual report : None.

(6) Other information:

| | |
|---|---|
| 1986 | T.Y.C. Brother Ind. Co., Ltd. was established on September 9, with a capital of NT$6 million. Business: Manufacture and sale of automotive lamps and parts. |
| 1987 | The new construction of the office and factory was completed in April, and the production operation was officially moved to 72-2, Xinle Rd., An-Ping Industrial Park. |
| 1987 | Capital increased to NT$36 million in October and 150 employees. |
| 1988 | Capital increased to NT$100 million in June. |
| 1988 | Purchased an office building on the 12th floor of No. 76 Songjiang Road in Taipei in December and set up the Taipei office. |
| 1989 | Purchased a factory site on Xin-Yi Road in An-Ping Industrial Park in January and established the second factory of TYC (Xin-Yi Factory) to engage in plastic injection and extrusion molding operations. |
| 1989 | Capital increased to NT$170 million in March and 200 employees. |
| 1989 | Capital increased to NT$420 million in December. |
| 1990 | Acquired TKK TECH CO., LTD. in January and established Anshun factory to produce electric jack, air filter, car waxer, air compressor and car department etc. |
| 1990 | Capital of NT$420 million, 300 employees and investment in BRICH PARTS PTE. LTD. The company serves as a base for entering the Middle East, Southeast Asia, and China markets, and its main business is import trading. |
| 1991 | The quality of the lamp passed the TUV certification and reached the ECE standard, and entered the European common market. |
| 1991 | Self-designed and developed the light of KYMCO Jockey 125 and joined the OEM of Kwang Yang Motor Co., Ltd. |
| 1991 | March investment in TYC INDUSTRIAL U.S.A. The company's main business is import/export trading, as an entry point into the American market (renamed GENERA CORPORATION four years later). |
| 1993 | Founded Juoku Technology in January, engaged in the design, development and manufacture of high-tech molds. |
| 1993 | Passed ISO 9002 certification in June, and expanding into European markets aggressively |
| 1995 | The Securities Commission of the Ministry of Finance approved a |

supplemental public offering in March with a capital of NT$420 million.

1995 Established the Daimao lamp factory in Changzhou, China in March.

1995 June capital increased to NT$478.8 million.

1995 September investment in INNOVA HOLDING CORP. 100% reinvestment in LANDFORCE CORPRATION as a point of entry into the US East market.

1996 July capital increase of NT$605 million.

1997 Capital increased to NT$726 million in May and was listed on the stock exchange on October 6.

1998 The capital increase in July was NT$1,143,800,000 and the company passed the QS9000 certification for the three major U.S. car manufacturers in December.

1999 The capital increase in July was NT$1,372,560,000 and we invested and established T.I.T INTERNATIONAL CO., LTD in December in Thailand, which is engaged in the manufacture of car lights.

2000 Established a joint venture with DBM Canada in January to manufacture full-stage electroforming dies in Taiwan.

2000 The capital increase in July was NT$1,647,072,000.

2000 Signed a contract with Nationwide, which is the third largest insurance company in the United States, in September and was selected as the world's only certified automotive lamp supplier.

2001 Invested and established Thailand T.I.T. INTERNATIONAL CO., LTD. in March

2001 The capital increase in June was NT$1,696,484,000.

2001 Established Changzhou Damao Precision Mould Factory in August.

2002 The capital increase in June was NT$1,832,203,000.

2002 Approved to set up operational headquarters in Tainan Technology Park.

2003 ISO14001 certification in July.

2003 The capital increase in July was NT$1,923,813,050.

2003 TS-16949 certified in October.

2004 Invested in Changchun FAW's Sihua Lighting Plant in February.

2004 First domestic convertible bond issue approved in June for NT$1 billion.

2004 Established a joint venture with IC AUTO COMP. in June to establish a sales and distribution warehouse in Europe and Spain.

2004 The capital increase in August was NT$2,164,289,680.

2004 The European Lithuanian lamp assembly line was set up in September.

2004 Convertible bonds converted to NT$1,880,430 in October and increased capital to NT$ 2,166,170,110.

2005 Selected as one of the top 20 best brands in Taiwan.

2005 Officially joined the CAPA organization of the American Insurance System in July. The first set of lamps was certified for the market in September and received the CAPA certificate of compliance.

2005 Passed FORD Q1 quality certification in August.

2005 The capital increase in September was NT$2,426,110,520.

2005 Convertible bonds converted to NT$23,507,230 in December and increased capital to NT$ 2,449,617,750.

2006 Received Q1 Quality Award Certificate in March.

2006 Convertible bonds converted to NT$1,081,310 in April and increased capital to NT$ 2,450,699,060.

2006 Convertible bonds converted to NT$35,683,980 in July and increased capital to NT$ 2,486,383,040.

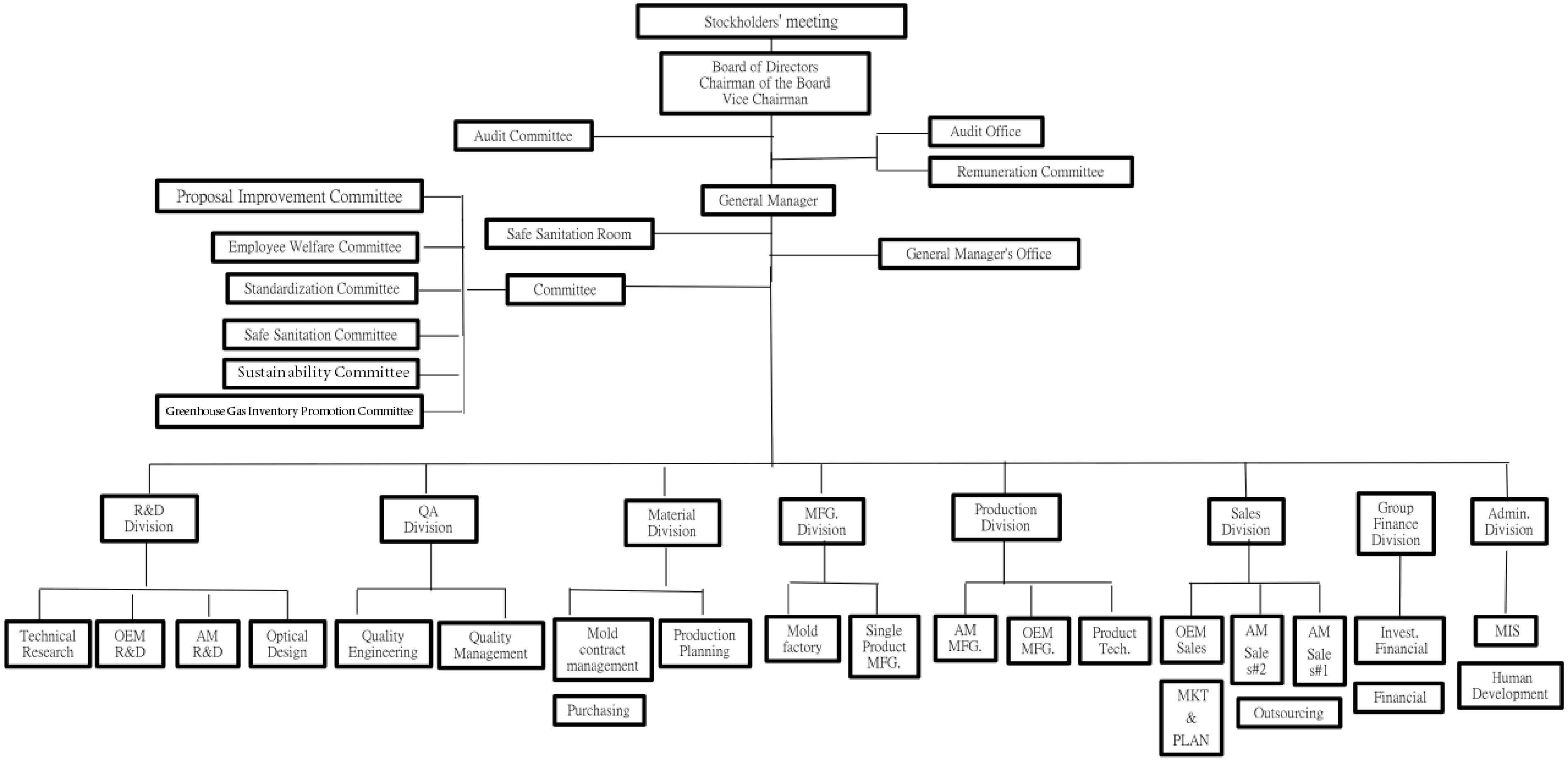
| | |
|---|---|
| 2006 | Convertible bonds converted to NT$4,231,280 in December and increased capital to NT$ 2,490,614,320. |
| 2007 | Convertible bonds converted to NT$94,020 in April and increased capital to NT$ 2,490,708,340. |
| 2007 | Signed technical support contract with TAFACO Vietnam in May. |
| 2007 | The capital increase in September was NT$2,528,068,960. |
| 2007 | IRAM Argentina certification in October. |
| 2007 | Convertible bonds converted to NT$82,613,610 in October and increased capital to NT$ 2,610,682,570. |
| 2007 | Convertible bonds converted to NT$7,105,260 in December and increased capital to NT$ 2,617,787,830. |
| 2008 | Convertible bonds converted to NT$58,797,390 in April and increased capital to NT$2,676,585,220. |
| 2008 | Officially joined the LKQ/KEYSTONE AQRP system in May and the first set of lights were certified and launched in December. |
| 2008 | Convertible bonds were converted to NT$95,370 in July and capital increased to NT$2,676,680,590. |
| 2008 | Approved the execution of the first buyback of 6,103,000 shares of the company in September. |
| 2008 | The capital increase from the November earnings was NT$2,783,217,540. |
| 2008 | The treasury stock was cancelled in December, amounting to NT$61,030,000, resulting in a capital reduction of NT$2,722,187,540. |
| 2008 | Approved the execution of the second buyback of 3,300,000 shares of the company in December. |
| 2009 | The HID high efficiency street light was officially launched in January. |
| 2009 | The capital increase in October was NT$2,802,863,160. |
| 2010 | SABA South Africa certificate obtained in February. |
| 2010 | The capital increase from October's earnings was NT$3,079,849,480. |
| 2010 | Passed the AEO (Quality Enterprise) certification by the General Administration of Customs and Excise, Ministry of Finance in December. |
| 2010 | Passed OHSAS18001 and TOSHMS certification in December. |
| 2010 | Awarded the 19th Taiwan Excellence Award by the Ministry of Economic Affairs, Taiwan Trade Office in December. |
| 2011 | Selected for the 2011 AMPA Innovation Product Award by the Foreign Trade Association in April. |
| 2011 | Approved the execution of the third buyback of 8,000,000 shares of the company in October. |
| 2011 | The capital increase from the October earnings was NTD 3,171,254,960. |
| 2012 | Cancelled NTD 47,870,000 of treasury stock in January, resulting in a capital reduction of $3,123,384,960 respectively. |
| 2012 | Approved the execution of the fourth buyback of 3,000,000 shares of the company in November. |
| 2012 | After the capital increase of NTD 31,233,850 and the cancellation of NTD 12,000,000 of treasury stock in October, the paid-in capital amounted to NTD $3,142,618,810 respectively. |
| 2012 | Passed NSF-APCP certification in October and became a qualified supplier. |
| 2012 | Selected for the 21st Taiwan Excellence Award by the Ministry of Economic Affairs, Taiwan Trade Office in December. |
| 2013 | Approved the execution of the fifth buyback of 3,000,000 shares of the Company in January. |

| | |
|---|---|
| 2013 | Awarded the 2013 AMPA Innovation Product Award by the Foreign Trade Association in April. |
| 2013 | The treasury stock was cancelled for NTD 13,640,000, and the capital was reduced to NTD 3,128,978,810 in May. |
| 2013 | Awarded the 22nd Taiwan Excellence Award by the Bureau of International Trade, Ministry of Economic Affairs in December. |
| 2013 | Passed Taiwan's first LED streetlight environmental "Carbon Footprint" certification in December. |
| 2014 | Awarded the 2014 AMPA Innovation Product Award by the Foreign Trade Association in April. |
| 2015 | All-LED locomotive headlights win 2015 Innovation Award in January. |
| 2016 | Received the 2015 Manufacturing Site - Carbon Reduction Initiative Award in January.<br>Selected for the 25th Taiwan Excellence Award by the Bureau of International Trade, Ministry of Economic Affairs in December. |
| 2017 | Taiwan excellence award for 5-in-1 bus headlight, Taiwan excellence award for full led cruiser heavy locomotive headlight, Taiwan excellence award for full led motorcycle headlight in February. |
| 2018 | ISO/TS 16949 quality management system certification successfully changed to IATF 16949 in April.<br>Received ISO 26262 Functional Safety Management System certification from Rheinland in July. |
| 2019 | Taiwan Excellence Silver Award for Full Function LED Motorcycle Tail Light |
| 2020 | Investing in the establishment of TYC Vietnam VIETNAM INDUSTRIAL CO., LTD. in July.<br>ISO 45001 certificate obtained in September.<br>Awarded the 29th Taiwan Excellence Award (T-type Innovative Full-function LED Motorcycle Headlight, V-type Innovative Full-function LED Motorcycle Headlight). |
| 2021 | After issuing 30,000,000 special shares on August 10, the paid-in capital amount was NT$3,428,978,810.<br>Awarded the 30th Taiwan Excellence Award (Full LED Motorcycle Headlamp). |
| 2022 | Received Recycle Volume Award from recycle declaration evaluation system in Tainan City. |

# III.Corporate Governance Report

1.Company Organization:

(1) Organizational system:



(2) Major Corporate Functions:

| Department | Functions |
|---|---|
| Audit Department | Responsible for company-wide internal rules and regulations and various management systems, executing audit work plans, implementing various systems management and improvement. |
| Safety and Health Room | 1. Formulate occupational disaster prevention plans and emergency response plans, and provide guidance to relevant departments on their implementation.<br>2. Planning and supervising the inspection and checking of safety and health facilities. |
| General Manager's Room | Supervision and management of the approval and execution of medium and long-term policies and objectives of each overseas business unit. |
| Administration Division | 1. Maintenance and development of the human resources framework.<br>2. Maintain high performance operation of the company's information services and management strategies. |
| Financial Division | 1. Processing of financial and accounting operations and providing information necessary for management decisions.<br>2. To keep track of domestic and international financial trends and manage the use of funds. |
| Sales and Marketing Division | 1. Obtain customer and domestic and international market Dynamics in a timely manner, and further explore consumer demand trends, and develop sales strategies.<br>2. Integrate the activities of production and related departments to make the team work efficiently and start strong and profitable sales activities to improve customer satisfaction and increase company profitability. |
| Production Division | 1. Cultivate and develop the various functions, promote the balance of productivity, and realize stable production.<br>2. Implement the quality of operation, improve the production system in a timely manner to enhance product quality and productivity. |
| Manufacturing Division | 1. Mold fabrication and modification, mold manufacturing technology, mold repair and maintenance of related equipment, etc.<br>2. Evaluate the feasibility and cost analysis of manufacturing new development molds. |
| Material Supply Division | 1. Planning and integrating procurement resources to strengthen the systematic production and marketing system.<br>2. Understand market trends and procurement policies. |
| Quality Control Department | 1. To establish a complete quality system and further improve the quality of products.<br>2. Feedback from customer voices. |
| R&D Division | 1. Promote appropriate quality system or system to ensure product quality, continuous improvement and reduce variation and waste.<br>2. Start product evaluation, planning, mold development, trial production to mass production development plan. |

## 2.Information of directors, supervisors, general managers, deputy general managers, associates, heads of departments and branches:

### (I) Directors' Information:

2023/3/31

| Title | Nationality/ Place of Incorporation | Name | Gender Age | Date Elected | Term (Years) | Date of initial election | Shareholding when Elected | | Current Shareholding | | Shares held by spouse, minor children | | Holding shares in the name of others | | Experience（Education） | Other Position | Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship | | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Holding shares in the name of others | Holding shares in the name of others | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Chairman | Taiwan | WU , KUO-CHEN | Male 41-50 years old | 2021/8/3 | 3 | 2015/6/17 | 0 | 0 | 296,211 | 0.09% | 0 | 0 | 0 | 0 | Supervisor<br>VarrocTYC Auto Lamps Co., Ltd.<br>Education: University of Southern California Business School master's degree | CEO TYC<br>CEO of Kuo-Chi-Min Investment Co., Ltd. | Director | WU , CHUN-CHI | Father-Son | N/A |
| | | Legal representative of KUO-CHI-MIN INVESTMENT CO., LTD. | | | | 2006/6/21 | 9,931,756 | 3.17% | 66,587,044 | 21.28% | 0 | 0 | 0 | 0 | | | N/A | N/A | N/A | N/A |
| Vice-president | Taiwan | WU , CHUN-LANG | Male 71-80 years old | 2021/8/3 | 3 | 1997/4/26 | 5,401,383 | 1.73% | 5,401,383 | 1.73% | 828,278 | 0.26% | 0 | 0 | CEO of Yuan-Hong Investment Co., Ltd.<br>Education: National Pei-men Senior High School | Vice-presidentof TYC<br>CEO of YUAN-HONG INVESTMENT CO., LTD. | Director<br>Director | WU , CHUN-CHI<br>WU , CHUN-I | Brother<br>Brother | N/A |
| Director | Taiwan | WU , CHUN-CHI | Male 71-80 years old | 2021/8/3 | 3 | 1997/4/26 | 824,081 | 0.26% | 824,081 | 0.26% | 828,278 | 0.26% | 0 | 0 | CEO<br>Juoku Technology<br>Education: National Pei-men Senior High School | Director of Kuo-Chi-Min Investment Co., Ltd.<br>CEO of DBM REFLEX OF TAIWAN CO., LTD. | Director<br>Director | WU , CHUN-LANG<br>WU , CHUN-I | Brother<br>Brother | N/A |
| Director | Taiwan | WU , CHUN-I | Male 71-80 years old | 2021/8/3 | 3 | 2018/6/21 | 4,593,613 | 1.47% | 4,593,613 | 1.47% | 823,474 | 0.26% | 0 | 0 | CEO of TAYIH Ind. Co., Ltd<br>Education: National Pei-men Senior High School | CEO of TAYIH KENMOS AUTO PARTS CO., LTD. | Director<br>Director | WU , CHUN-CHI<br>WU , CHUN-LANG | Brother<br>Brother | N/A |
| Director | Taiwan | CHEN , CHIN-CHAO | Male 51-60 years old | 2021/8/3 | 3 | 2012/6/21 | 0 | 0 | 0 | 0 | 475 | 0 | 0 | 0 | Director<br>Juoku Technology<br>Education: NCKU department of mechanical engineering | GM of TYC<br>Director of TAMAO Consulting | N/A | N/A | N/A | N/A |
| | | Legal representativeyuan-Hong Investment Co., Ltd. | | | | 2006/6/21 | 5,354,451 | 1.71% | 5,354,451 | 1.71% | 0 | 0 | 0 | 0 | | | N/A | N/A | N/A | N/A |
| Director | Taiwan | WU , KUO-CHEN | Male 41-50 years old | 2021/8/3 | 3 | 2015/6/17 | 0 | 0 | 296,211 | 0.09% | 0 | 0 | 0 | 0 | Supervisor<br>VarrocTYC Auto Lamps Co., Ltd.<br>Education: University of Southern California Business School master's degree | Executive Directorof TYC<br>Director of Kuo-Chi-Min Investment Co., Ltd. | CEO | WU , CHUN-CHI | Father-Son | N/A |
| | | Legal representative of KUO-CHI-MIN INVESTMENT CO., LTD. | | | | 2006/6/21 | 9,931,756 | 3.17% | 9,931,756 | 3.17% | 0 | 0 | 0 | 0 | | | N/A | N/A | N/A | N/A |
| Director | Taiwan | CHUANG, TAI-SHIE | Male 61-70 years old | 2021/8/3 | 3 | 2021/8/3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Director, Ford Motor Greater China<br>Education: Master of College of Management, Yuan Ze University | CEO<br>VarrocTYC Auto Lamps Co., Ltd | N/A | N/A | N/A | N/A |
| Independent Director | Taiwan | HUANG , CHUNG-HUI | Male 61-70 years old | 2021/8/3 | 3 | 2015/6/17 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Certified accountant<br>Education:Dept. of Management, NCKU | Independent Director of Namliong Global Corp.<br>Independent Director of O-TA Precision Industry Co., Ltd.<br>Independent Director of Fu Chun Shin Machinery Manufacture Co., Ltd. | N/A | N/A | N/A | N/A |
| Independent Director | Taiwan | HOU, RONG-XIAN | Male 61-70 years old | 2021/8/3 | 3 | 2012/6/21 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Certified accountant<br>Education:Master of Management, NCKU | Independent Director of MOSPEC SEMICONDUCTOR CORP.<br>Independent Director, PHD, Jiyuan Packaging Holdings Limited | N/A | N/A | N/A | N/A |
| Independent Director | Taiwan | HSU , CHIANG | Male 71-80 years old | 2021/8/3 | 3 | 2019/6/21 | 0 | 0 | 4,000 | 0 | 0 | 0 | 0 | 0 | Chair Professor, CJCU<br>Education: Ph.D<br>HE UNIVERSITY OF WYOMING | Chair Professor, CJCU<br>Independent Director, KNH Enterprise Co., Ltd. | N/A | N/A | N/A | N/A |

1.Major Shareholders of corporate shareholder:

2023/3/31

| Name of corporate shareholder | Major Shareholders of corporate shareholder |
|---|---|
| YUAN-HONG INVESTMENT CO., LTD. | WU, TIEN-LING. WU, CHENG-YUAN. WU, CHENG-HUNG. |
| KUO-CHI-MIN INVESTMENT CO., LTD. | WU, CHUN-CHI. WANG, LI-HSIA. WU, KUO-CHEN. WU, CHI-CHEN. WU, MIN-CHEN. WU, YING-CHEN. |

2.Major Shareholders are juridical person:Not applicable

3.Directors' Information:

A. Disclosure of directors’ professional qualifications and independence:

| Condition / Name | Professional qualification and experience (Note 1) | Compliance with the case of independence (Note 2) | Number of independent directors of other public offering companies |
|---|---|---|---|
| WU , KUO-CHEN - Legal representative of KUO-CHI-MIN Investment Co., Ltd. | 1. Chairman of Board of Directors<br>2. Expertise in operation management/foreign language/risk management/leadership decision<br>3. Not been a person of any conditions defined in Article 30 of the Company Law | 1. Not an employee of the Company or its affiliates<br>2. Does not provide commercial, legal, financial, and accounting services to the Company or its affiliates in the last two years | 0 |
| WU , CHUN-LANG | 1. Expertise in operation management/risk management/leadership decision/cross-industry management<br>2. Not been a person of any conditions defined in Article 30 of the Company Law | 1. Not an employee of the Company or its affiliates<br>2. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law | 0 |
| WU , CHUN-CHI | 1. Expertise in operation management/risk management/engineering management/leadership decision/cross-industry management<br>2. Not been a person of any conditions defined in Article 30 of the Company Act | 1. ot an employee of the Company or its affiliates<br>2. Does not 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings<br>3. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law | 0 |
| WU , CHUN-I | 1. Expertise in operation management/risk management/engineering management/leadership decision<br>2. Not been a person of any conditions defined in Article 30 of the Company Law | 1. Not an employee of the Company or its affiliates<br>2. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law | 0 |
| CHUANG, TAI-SHIE | 1. Expertise in operation management/foreign language/risk management/engineering management/leadership decision<br>2. Not been a person of any conditions defined in Article 30 of the Company Law | 1. Does not hold more than 1% of the total number of issued shares or the top ten shares<br>2. The said person, the person’s spouse, a relative within the second degree of kinship (or held by the person under others’ names) does not hold company shares<br>3. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law | 0 |
| CHEN , CHIN-CHAO - Legal Representative of Yuan-Hong Investment Co., Ltd. | 1. Expertise in operation management/foreign language/risk management/engineering management/leadership decision<br>2. Not been a person of any conditions defined in Article 30 of the Company Law | 1. Is not a spouse or a relative within the second degree of kinship of another director.<br>2. Does not provide commercial, legal, financial, and accounting services to the Company or its affiliates in the last two years | 0 |
| HUANG , CHUNG-HUI | 1. Chairman of the Remuneration Committee and Audit Committee<br>2. Expertise in Accounting and Finance/operation management/risk management/leadership decision/cross-industry management<br>3. Certified accountant, currently a certified public accountant<br>4. Not been a person of any conditions defined in Article 30 of the Company Law | 1. The said person, the person’s spouse, a relative within the second degree of kinship is not a director, supervisor, or employee of the Company or its affiliates<br>2. The said person, the person’s spouse, a relative within the second degree of kinship (or held by the person under others’ names) does not hold company shares<br>3. Is not a director, supervisor, or employee of a company that has special relation with the Company<br>4. Does not provide commercial, legal, financial, and accounting services to the Company or its affiliates in the last two years | 3 |
| HOU, RONG-XIAN | 1. Member of the Remuneration Committee and Audit Committee<br>2. Expertise in Accounting and Finance/operation management/risk management/leadership decision/cross-industry management<br>3. Certified accountant, currently a certified public accountant<br>Not been a person of any conditions defined in Article 30 of the Company Law | 1. The said person, the person’s spouse, a relative within the second degree of kinship is not a director, supervisor, or employee of the Company or its affiliates<br>2. The said person, the person’s spouse, a relative within the second degree of kinship (or held by the person under others’ names) does not hold company shares<br>3. Is not a director, supervisor, or employee of a company that has special relation with the Company<br>4. Does not provide commercial, legal, financial, and accounting services to the Company or its affiliates in the last two years | 3 |

| Condition / Name | Professional qualification and experience (Note 1) | Compliance with the case of independence (Note 2) | Number of independent directors of other public offering companies |
|---|---|---|---|
| HSU , CHIANG | 1. Member of the Audit Committee<br>2. Expertise in operation management/foreign language/risk management/leadership decision/cross-industry management<br>3. Not been a person of any conditions defined in Article 30 of the Company Law | 1. The said person, the person's spouse, a relative within the second degree of kinship is not a director, supervisor, or employee of the Company or its affiliates<br>2. The said person, the person's spouse, a relative within the second degree of kinship (or held by the person under others' names) does not hold company shares<br>3. Is not a director, supervisor, or employee of a company that has special relation with the Company<br>4. Does not provide commercial, legal, financial, and accounting services to the Company or its affiliates in the last two years | 1 |

Note: 1. Professional qualification and experience: state the professional qualifications and experience of each director. If it is a member of an Audit Committee and has accounting or financial expertise, the accounting or financial background and work experience shall be stated. Also, describe whether has been a person of any conditions defined in Article 30 of the Company Law.

2. Independent director shall describe whether or not he or she meets the independence requirements, including but not limited to, the person, the person's spouse, a relative within the second degree of kinship is not a director, supervisor, or employee of the Company or its affiliates; the number of shares and proportion that the person, the person's spouse, and relative within the second degree of kinship (or held by the person under others' names) hold; whether is a director, supervisor, or employee of a company that has special relationship with the Company (in accordance with the provisions in Subparagraph 5 to 8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); remuneration amount acquired from providing business, legal, finance, and accounting services to the Company or its affiliates in the past two years.

B. The Board of Directors' diversification and independence:

(A) The Board of Directors' diversification

I. According to Paragraph 3, Article 23 of the Company's Corporate Governance Best Practice Principles, all members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

II. The Company has amended Paragraph 2, Article 23 of the Company's Corporate Governance Best Practice Principles on March 24, 2020 to formulate an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs, i.e., basic requirements and values (such as gender, nationality, and tenure as an independent director), professional knowledge and skills (accounting and finance, operation management, foreign language, risk management, engineering management, leadership decision, and cross-industry management).

The Company has nine directors (including three independent directors), two of whom are certified public accountants, one of whom has a professional background in business management, and the other directors have many years of experience in the industry, so they are able to carry out the duties and responsibilities of the Board of Directors and protect the interests of shareholders.

The Company values the competency of the board members. Two or more directors shall possess one of the expertises to be diversified. Two or more directors possess one of the expertises so far, therefore the compliance rate is 100%. The tenure of the independent director may not exceed nine years. All three independent directors's tenure is under nine years, so the compliance rate is 100%. The implementation status is as follow:

| Diversified core | Basic requirements | | | | | Professional knowledge and skills | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name of Director | Gender | Age | Nationality | Tenure as an independent director | | Financial accounting | Operating management | Foreign language ability | Risk management | Engineering management | Leadership Decisions | Cross-Industry Operations |
| | | | | Under 3 years | 3 to 9 years | | | | | | | |
| WU, CHUN-CHI | Male | 71-80 years old | Taiwan | | | | V | | V | V | V | V |
| WU , CHUN-LANG | Male | 71-80 years old | Taiwan | | | | V | | V | | V | V |
| WU, CHUN-I | Male | 71-80 years old | Taiwan | | | | V | | V | V | V | |
| CHEN, CHIN-CHAO | Male | 51-60 years old | Taiwan | | | | V | V | V | V | V | |
| WU, KUO-CHEN | Male | 41-50 years old | Taiwan | | | | V | V | V | | V | |
| CHUANG, TAI-SHIE | Male | 61-70 years old | Taiwan | | | | V | V | V | V | V | |
| HUANG , CHUNG-HUI | Male | 61-70 years old | Taiwan | | V | V | V | | V | | V | V |
| HOU, RONG-XIAN | Male | 61-70 years old | Taiwan | | V | V | V | | V | | V | V |
| HSU, CHIANG | Male | 71-80 years old | Taiwan | | V | | V | V | V | | V | V |

(B) The Board of Directors’ independence:

1. Currently, there are nine members in the Board of Directors including three Independent Directors. The proportion of the independent director has reach 1/3, and the Company has obtained written declaration from all Independent Directors.
2. The Company’s CEO, General Manager or equivalent position is not the same person.
3. There are eight directors who are not employees of the Company. The proportion has reach 8/9.
4. Relationship among Directors: Wu Chun-Chi, Wu Chun-Lang, and Wu Chun-I are brothers. Wu Chun-Chi and Wu Kuo-Chen are father and son.
5. Not been a person of any conditions defined in Paragraph 3 and 4, Article 26-3 of the Securities and Exchange Act.

(II) Information for General Managers, Deputy General Managers, Associates, Heads of Departments and Branches:

2023/3/31

| Title | Nationality | Name | Gender | Date of initial election | Shareholdings | | Shares held by spouse, minor children | | Holding shares in the name of others | | Experience (Education) | Current duties in other companies | A manager who is related to a spouse or consanguineous within two degrees | | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Share | % | Share | % | Share | % | | | Title | Name | Relationship | |
| General Manager | Taiwan | SU, YAN-SHUO | Male | 2023/2/1 | 0 | 0 | 0 | 0 | 0 | 0 | Master's degree | Director of Varroc TYC Auto Lamps Co., Ltd | N/A | N/A | N/A | N/A |
| Deputy General Manager, Business Division | Taiwan | TING, CHENG-TAI | Male | 2006/11/1 | 0 | 0 | 1,055 | 0 | 0 | 0 | College graduation | Director of Varroc TYC Auto Lamps Co., Ltd | N/A | N/A | N/A | N/A |
| Executive Director, Business Divison | Taiwan | WU, KUO-CHEN | Male | 2012/2/1 | 296,211 | 0.09% | 0 | 0 | 0 | 0 | Institute graduation | Director of Juoku Technology | N/A | N/A | N/A | N/A |
| Deputy General Manager, Material Supply Division | Taiwan | WU, PING-HUI | Male | 2006/8/10 | 0 | 0 | 0 | 0 | 0 | 0 | University graduation | N/A | N/A | N/A | N/A | N/A |
| Deputy General Manager, Financial Division | Taiwan | WENG, YI-FENG | Male | 2008/6/1 | 0 | 0 | 0 | 0 | 0 | 0 | Institute graduation | Supervisor of Juoku Technology | N/A | N/A | N/A | N/A |
| Associate, Administration Office | Taiwan | HSU, YU-HUI | Female | 2012/2/1 | 1,212 | 0 | 0 | 0 | 0 | 0 | College graduation | N/A | N/A | N/A | N/A | N/A |
| Associate, Business Divison | Taiwan | CHAO, YUAN-CHUN | Male | 2020/9/1 | 0 | 0 | 0 | 0 | 0 | 0 | Institute graduation | N/A | N/A | N/A | N/A | N/A |
| Associate, R&D Business Divison | Taiwan | LIN, MIN FENG | Male | 2012/2/1 | 0 | 0 | 0 | 0 | 0 | 0 | University graduation | N/A | N/A | N/A | N/A | N/A |
| Associate, Quality Control Department | Taiwan | LIU, YU-CHUNGMR | Male | 2006/2/1 | 0 | 0 | 0 | 0 | 0 | 0 | College graduation | N/A | N/A | N/A | N/A | N/A |
| Associate, Production Division | Taiwan | WU, WEN-KUEI | Male | 2019/3/1 | 0 | 0 | 0 | 0 | 0 | 0 | University graduation | N/A | N/A | N/A | N/A | N/A |
| Associate, Manufacturing and SCM Division | Taiwan | SHEN, I-CHUAN | Male | 2019/3/1 | 0 | 0 | 0 | 0 | 0 | 0 | University graduation | N/A | N/A | N/A | N/A | N/A |

Note: General Manager Chen Chin-Chao was replaced by Su Yan-Shuo on January 19, 2023 due to job adjustment.

# 3.Remuneration of Directors, General Managers and Deputy General Managers paid in the latest year:

## (1) Remuneration of general and independent directors:

2022/12/31(Unit:NTD)

| Title | Name | Directors' remuneration | | | | | | | | Percentage of net income after tax for Total of A, B, C and D | | Part-time employees receive related remuneration | | | | | | | | The proportion of the total of items A, B, C, D, E, F and G to the net tax benefit | | Receipt of remuneration from a subsidiary other than a transferring investment undertaking or a parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Remuneration (A) | | Pension(B) | | Directors' remuneration (C) | | Implementation expense(D) | | | | Salaries, bonuses and special expenses, etc. (E) | | Pension ((F) | | Employee bonus (G) | | | | | | |
| | | | | | | | | | | | | | | | | TYC | | All companies in the financial report | | | | |
| | | TYC | All companies in the financial report | TYC | All companies in the financial report | TYC | All companies in the financial report | TYC | All companies in the financial report | TYC | All companies in the financial report | TYC | All companies in the financial report | TYC | All companies in the financial report | Cash Amount | Stock Amount | Cash Amount | Stock Amount | TYC | All companies in the financial report | |
| CEO | WU , KUO-CHEN<br>Legal representative of Kuo Chi Min Investment Co., Ltd | 21,868,455 | 21,868,455 | 0 | 0 | 18,500,000 | 18,500,000 | 300,000 | 300,000 | 4.36% | 4.36% | 8,174,150 | 18,036,651 | 0 | 0 | 0 | 0 | 0 | 0 | 5.24% | 6.30% | None |
| Vice-president | WU, CHUN-LANG | | | | | | | | | | | | | | | | | | | | | |
| Director | WU, CHUN-CHI | | | | | | | | | | | | | | | | | | | | | |
| Director | WU, CHUN-I | | | | | | | | | | | | | | | | | | | | | |
| Director | CHUANG, TAI-SHIE | | | | | | | | | | | | | | | | | | | | | |
| Director | CHEN , CHIN-CHAO<br>Legal representative of Yuan Hong Investment (Stock) Co. Ltd | | | | | | | | | | | | | | | | | | | | | |
| Independent director | HUANG , CHUNG-HUI | 1,512,000 | 1,512,000 | 0 | 0 | 0 | 0 | 180,000 | 180,000 | 0.18% | 0.18% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.18% | 0.18% | None |
| Independent director | HOU, RONG-XIAN | | | | | | | | | | | | | | | | | | | | | |
| Independent director | HSU, CHIANG | | | | | | | | | | | | | | | | | | | | | |

Remark 1:Please describe the policy, system, criteria and structure for the remuneration of independent directors, and the relevance of the amount of remuneration to the responsibilities, risks and time commitment:
The remuneration policy for independent directors: The remuneration policy is based on the Company's operating objectives, financial position and the duties of independent directors, and then approved by the Compensation Committee and submitted to the Board of Directors for approval.

Remark 2:Except as disclosed in the table above, remuneration received by the directors of the Company for services rendered (such as consultants to the Company/all companies in the financial statement/re-investment business that are not employees, etc.) in the latest year :None

Remark 3: Director Ting Cheng-Tai resigned on August 3, 2021, and Chuang Tai-Xu took office.

## Remuneration scale

| Levels of remuneration payable to each of the Company's Directors | Name of Director | | | |
|---|---|---|---|---|
| | Total remuneration for the first four items (A+B+C+D) | | Total remuneration for the first seven items (A+B+C+D+E+F+G) | |
| | TYC | All companies in the financial report | TYC | All companies in the financial report |
| Less than $1,000,000 | HUANG, CHUNG-HUI.<br>HOU, RONG- HSIEN.<br>HSU, CHIANG. CHEN, CHIN-CHAO.<br>WU, KUO-CHEN.<br>WU, CHUN-I. | HUANG, CHUNG-HUI.<br>HOU, RONG- HSIEN.<br>HSU, CHIANG. CHEN, CHIN-CHAO.<br>WU, KUO-CHEN.<br>WU, CHUN-I. | HUANG, CHUNG-HUI.<br>HOU, RONG- HSIEN.<br>HSU, CHIANG<br>WU, CHUN-CHI | HUANG, CHUNG-HUI.<br>HOU, RONG- HSIEN.<br>HSU, CHIANG<br>WU, CHUN-CHI |
| NT$1,000,000 (inclusive) to NT$2,000,000 (exclusive) | Kuo Chi Min Investment Co., td.<br>Yuan Hong Investment (Stock) Co. Ltd. | Kuo Chi Min Investment Co., td.<br>Yuan Hong Investment (Stock) Co. Ltd.<br>CHEN, CHIN-CHAO.<br>WU , KUO-CHEN.<br>WU , CHUN-I.<br>TING, CHENG-TAI | Kuo Chi Min Investment Co., Ltd.<br>Yuan Hong Investment (Stock) Co. , Ltd.<br>WU , CHUN-I | Kuo Chi Min Investment Co., Ltd.Yuan Hong Investment (Stock) Co. Ltd.<br>WU , CHUN-I |
| NT$ 2,000,000 (inclusive) ~ NT$ 3,500,000 (exclusive) | - | - | | |
| NT$3,500,000 (inclusive) ~ NT$5,000,000 (exclusive) | CHUANG, TAI-SHIE | CHUANG, TAI-SHIE | CHEN, CHIN-CHAO.<br>WU, KUO-CHEN.<br>CHUANG, TAI-SHIE | CHEN, CHIN-CHAO.<br>WU, KUO-CHEN.<br>CHUANG, TAI-SHIE |
| NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive) | WU, CHUN-CHI. WU, CHUN-LANG | WU, CHUN-CHI. WU, CHUN-LANG | WU, CHUN-LANG.<br>WU, CHUN-CHI | WU, CHUN-LANG |
| NT$10,000,000 (inclusive) ~ NT$15,000,000 (exclusive) | - | - | | WU, CHUN-CHI |
| NT$15,000,000 (inclusive) ~ NT$30,000,000 (exclusive) | - | - | - | |
| NT$30,000,000 (inclusive) ~ NT$50,000,000 (exclusive) | - | - | - | - |
| NT$ 50,000,000 (inclusive) ~ NT$ 100,000,000 (exclusive) | - | - | - | - |
| Over $100,000,000 | - | - | - | - |
| Total | 11 | 11 | 11 | 11 |

## (2) Remuneration of the General Manager and Deputy General Manager:

2022/12/31(Unit:NTD)

| Title | Name | Salary (A) | | Pension (B) | | Bonuses, special expenses, etc. (C) | | Employee bonus amount (D) | | | | Total of A, B, C and D as a percentage of net income after tax (%) | | Receive remuneration from a business other than a subsidiary or from the parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | TYC | All companies in the financial report | TYC | All companies in the financial report | TYC | All companies in the financial report | TYC | | All companies in the financial report | | TYC | All companies in the financial report | |
| | | | | | | | | Cash amount | Stock amount | Cash amount | Stock amount | | | |
| General Manager | CHEN , CHIN-CHAO | 17,516,205 | 17,516,205 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.88% | 1.88% | N/A |
| Deputy General Manager | WU, KUO-CHEN | | | | | | | | | | | | | |
| Deputy General Manager | TING, CHENG-TAI | | | | | | | | | | | | | |
| Deputy General Manager | WENG,YI-FENG | | | | | | | | | | | | | |
| Deputy General Manager | WU,PING-HUI | | | | | | | | | | | | | |

### Remuneration scale

| Remuneration scale for each General Manager and Deputy General Manager of the Company | Name of General Manager and Deputy General Manager | |
|---|---|---|
| | TYC | All companies in the financial report |
| Less than $1,000,000 | - | - |
| NT$1,000,000 (inclusive) to NT$2,000,000 (exclusive) | - | - |
| NT$ 2,000,000 (inclusive) ~ NT$ 3,500,000 (exclusive) | WENG,YI-FENG. WU,PING-HUI | WENG,YI-FENG. WU,PING-HUI |
| NT$3,500,000 (inclusive) ~ NT$5,000,000 (exclusive) | CHEN , CHIN-CHAO.<br>WU , KUO-CHEN.<br>TING, CHENG-TAI | CHEN , CHIN-CHAO.<br>WU , KUO-CHEN.<br>TING, CHENG-TAI |
| NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive) | - | - |
| NT$10,000,000 (inclusive) ~ NT$15,000,000 (exclusive) | - | - |
| NT$15,000,000 (inclusive) ~ NT$30,000,000 (exclusive) | - | - |
| NT$30,000,000 (inclusive) ~ NT$50,000,000 (exclusive) | - | - |
| NT$ 50,000,000 (inclusive) ~ NT$ 100,000,000 (exclusive) | - | - |
| Over $100,000,000 | - | - |
| Total | 5 | 5 |

(3) Name of the manager who was distributed the employee's remuneration and distribution:

2022/12/31(Unit:NTD 1,000)

| | Title | Name | Stock amount | Cash amount | Total | Total as a percentage of net income after tax (%) |
|---|---|---|---|---|---|---|
| Managers | General Manager | CHEN , CHIN-CHAO | 0 | 0 | 0 | 0 |
| | Executive Director | WU , KUO-CHEN | | | | |
| | Deputy General Manager | TING, CHENG-TAI | | | | |
| | Deputy General Manager | WENG,YI-FENG | | | | |
| | Deputy General Manager | WU,PING-HUI | | | | |
| | Senior manager | HSU,YU-HUI | | | | |
| | Senior manager | CHAO,YUAN-CHUN | | | | |
| | Senior manager | LIN,MIN FENG | | | | |
| | Senior manager | LIU,YU-CHUNGMR | | | | |
| | Senior manager | WU,WEN-KUEI | | | | |
| | Senior manager | SHEN,I-CHUAN | | | | |

Note: Assistant Manager Shen, I-Chuan retired on December 1, 2021

(4) An analysis comparing the total remuneration paid to the TYC's directors, supervisors, general manager and deputy general manager as a percentage of the net profit after tax of the individual or individual financial reports of the Company and all companies in the consolidated financial statements for the past two years respectively, and an explanation of the policy, criteria and composition of remuneration payments, the extent to which remuneration is set, and the correlation with operating performance and future risks:

| | 2021 annual remuneration as a percentage of Net Profit after Tax (TYC) | 2021 Total remuneration as a percentage of net income after tax (Consolidated Financial Statements) | 2022 Total remuneration as a percentage of net income after tax (TYC) | 2022 Total remuneration as a percentage of net income after tax (Consolidated Financial Statements) |
|---|---|---|---|---|
| Directors | 20.96% | 25.56% | 5.42% | 6.48% |
| Supervisor | 0.00% | 0.00% | 0.00% | 0.00% |
| General manager and deputy general manager | 8.85% | 8.85% | 1.88% | 1.88% |

Note: The Audit Committee was established on 21 June 2018 to replace the Supervisor function.

1.Analysis of the ratio difference: Mainly due to the increase in net income after tax in 2022.

2.The policy of remuneration for directors and supervisors of the Company:

In accordance with the Articles of Incorporation, if there is a profit for the year, the Company shall pay no less than 1% of it for the employee bonus and (no more than 3%) for the director bonus. However, if there is still a cumulative loss, an amount to make up for the loss should be retained in advance.

Directors will be given appropriate remuneration based on evaluations of alignment of the goals and missions of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control in the "Performance Evaluation Method of the Board of Directors".

In accordance with Article 29 of the Company's Articles of Incorporation, the Chairman of the Board of Directors is authorized to set the remuneration of the Manager in accordance with the Company's "Salary Management Regulations" from evaluation items such as professional knowledge, operation knowledge, leadership responsibility, complex problem solving, impact on operation, impact scope on operation, and interpersonal relationship difficulty, while taking into account the usual standards in the industry.

4.Corporate Governance Status:

(1) Operation of the Board of Directors:
The board of directors has held six meetings in recent years, and the attendance of directors and supervisors is as follows:

| Title | Name | Actual number of meetings attended (B) | No. of meetings with entrusted attendance | Actual attendance rate (%) (%)【B/A】 | Remark |
|---|---|---|---|---|---|
| Chairman | WU, KUO-CHEN—Legal representative of Kuo Chi Min Investment Co., Ltd | 7 | 0 | 100 % | - |
| Vice-president | WU , CHUN-LANG | 7 | 0 | 100 % | - |
| Director | WU , CHUN-I | 5 | 0 | 71.43% | - |
| Director | CHEN , CHIN-CHAO—Legal representative of Yuan Hong Investment (Stock) Co., Ltd | 6 | 0 | 85.71% | - |
| Director | WU, KUO-CHEN—Legal representative of Yuan Hong Investment (Stock) Co., Ltd | 7 | 0 | 100 % | - |
| Director | TING, CHENG-TAI | 7 | 2 | 33 % | - |
| Director | CHUANG, TAI-SHIE | 7 | 0 | 100 % | - |
| Independent Director | HUANG , CHUNG-HUI | 7 | 0 | 100 % | - |
| Independent Director | HOU, RONG- HSIEN | 7 | 0 | 100 % | - |
| Independent Director | HSU,CHIANG | 7 | 0 | 100 % | - |

Other items to be recorded:

1. The Board of Directors shall state the date and date of the Board of Directors' meeting, the date and time of the meeting, the content of the motion, the opinions of all independent directors and the Company's handling of the opinions of the independent directors if any of the following circumstances apply to the operation of the Board of Directors:
   (1) Items listed in article 14-3 of the securities and exchange act:<u>None.</u>
   (2) Except for the preceding items, the resolutions of the Board of Directors' meetings, which were opposed or qualified by the independent directors and for which records or written statements are available, were approved by the independent directors without dissenting opinions at each of the Board of Directors' meetings in 2020.:<u>The results of the resolutions at each of the 2022 Board meetings were approved without objection by the independent directors.</u>
2. The recusal of a director from the implementation of an interest motion shall include the name of the director, the content of the motion, the reasons for the recusal and the circumstances of the vote.:<u>Interested directors have individually recused themselves from the discussion and voting on the directors' remuneration proposals.</u>
3. We shall disclose information on the period and duration, scope, manner and content of the of the self- (or peer) evaluation by the directors, and shall include information on the implementation of the evaluation by the Board of Directors:<u>Please refer to table (1-1) below for the Board's evaluation of the Performance.</u>
4. Assessment of the current and most recent year's targets for enhancing the Board's functions (e.g., establishment of an audit committee, enhancing information transparency, etc.) and their implementation:
   (1). In accordance with the provisions of the Rules of Procedure of the Board of Directors laid down by the Company.
   (2). The Company's (TYC) internal auditors regularly audit the operations of the Board of Directors and prepare audit reports..
   (3). The Company (TYC) has a person in charge of the matters that should be announced by the competent authority and the disclosure of significant information to enhance the transparency of information.
   (4). The Company (TYC) has established the "Code of Corporate Governance Practices", "Procedures for Handling Material Internal Information", "Code of Ethical Conduct" and "Procedures and Guidelines for Integrity Management Practices" to establish a corporate culture of integrity management and a better corporate governance system.
   (5). The Company (TYC) has three independent directors to enhance the functioning of the Board.
   (6). The Company (TYC) established an Audit Committee in 2018.
   (7). The Company (TYC) has assigned Corporate Governance Manager in 2021.

(1-1) Evaluation of implementation by the Board of Directors:

| Evaluation cycle | Evaluation period | Evaluation scope | Evaluation method | Evaluation content | Evaluation result |
|---|---|---|---|---|---|
| Annual | 2022/1/1<br>2022/12/31 | Board of directors and individual directors | Self-evaluation by the board of directors | 1. The degree of participation in the operation of the Company.<br>2. Improve the quality of board decisions.<br>3. Composition and structure of the Board of Directors.<br>4. Election of Directors and Continuing Education.<br>5. Internal controls. | The performance evaluation score of the Board of Directors is 97.78%, which is “better than standard”. |
| | | | Self evaluation of directors | 1. Grasp the company's goals and tasks.<br>2. Recognition of Directors ' Responsibilities.<br>3. The degree of participation in the operation of the company.<br>4. Internal relationship management and communication.<br>5. Professional and continuing education of directors.<br>6. Internal control. | The performance evaluation score of the Board member is 99.03%, which is “better than standard”. |

The above result will be used as a reference for directors’ election or nomination and remuneration.

(2) Operation of the Audit Committee:

The audit committee has held four meetings in the past year (A), and the attendance of the independent directors is as follows:

| Title | Name | Actual number of meetings attended (B) | Number of delegated attendance | Actual attendance rate (%)【B/A】 | Remark |
|---|---|---|---|---|---|
| Independent Director | HUANG , CHUNG-HUI | 4 | 0 | 100 % | Re-elected on 2021/8/3 |
| Independent Director | HOU, RONG- HSIEN | 4 | 0 | 100 % | Re-elected on 2021/8/3 |
| Independent Director | HSU,CHIANG | 4 | 0 | 100 % | Re-elected on 2021/8/3 |

Other items to be recorded:

1. If the Audit Committee operates under any of the following circumstances, it shall state the date and period of the Board of Directors' meeting, the content of the motion, Independent Directors’ objection, reserved opinion, or major proposal content, the results of the Audit Committee's resolution, and the Company's handling of the Audit Committee's opinion.

(1) Section 14-5 of the Securities Exchange Act.

(2) In addition to the previous matters, other matters that have not been approved by the Audit Committee and have been agreed by more than two-thirds of all directors:

(A) Annual work priorities of the audit committee:

The Audit Committee consists of three independent directors. The Audit Committee operates primarily to oversee the fair presentation of the Company's financial statements, the selection (dismissal) and independence and performance of the certified public accountants, the effective implementation of the Company's internal controls, the Company's compliance with laws and regulations, and the control of the Company's existing or potential risks.

The audit committee held four meetings in 2022, and the issues considered mainly include:

1. Internal control system effectiveness assessment.
2. Financial report and business report.
3. Amendment of the Articles of Association.
4. Appointment and independence assessment of the certifying accountant.
5. Whether the company's disguised financing is classified as a loan of funds.

6. Annual audit plan.

(B) Review of financial reports by the Audit Committee:

The financial statements of 2021 have been checked and endorsed by Taiwan, together with the business report and the statement of profit distribution. The audit committee finds that there is no discrepancy.

(C) Endorsement accountant appointed by the audit committee:

In order to ensure the independence of the endorsement accounting firm, the third Audit Committee of the second session and the 4th meeting of the 15th Board of Directors on March 24, 2022 deliberated and approved that Mr. Jesse Huang and M. Fang-Wen Lee from EY Taiwan, both meet the independent evaluation criteria, and are qualified to serve as the company's financial and tax endorsement accountants.

In cooperation with the job rotation policy of EY Taiwan, the fifth Audit Committee of the second session and the 7th Board of Directors of the fifteenth session on August 10, 2022 deliberated and approved that the accountant Mr. Jesse Huang will be replaced by Mr. Kuo-Sen Hung for the consolidated financial report endorsement from 2022 Q2.

(D) Performance of the Audit Committee for the year:

| Session and Time of meeting | Contents of the major motion and follow-up actions | Matters listed in the Securities and Exchange Act 14-5 | Resolution not approved by the Audit Committee but approved by 2/3 of the Directors |
|---|---|---|---|
| 3rd., 2nd session 2022.03.24 | 1. Internal control system effectiveness assessment in 2021. | V | None |
| | 2. Review the 2021 financial report and Business Report. | V | None |
| | 3. Funds loaning to BESTE MOTOR Co., LTD. | V | None |
| | 4. Capital increase for LSC Ecosystem Corp. | V | None |
| | 5. Amendment to the "Procedures for the Acquisition and Disposal of Assets" | V | None |
| | 6. Review the independent evaluation of endorsement Accountants. | V | None |
| | 7. To consider whether disguised financial accommodation is classified as a loan of funds. | | None |
| | The results of the audit committee's decisions on the above cases: all the members present agreed to pass the case. | | |
| | The company's handling of the opinions of the audit committee: all the directors present agreed to pass the case. | | |
| 4th., 2nd session 2022.05.12 | 1. Consolidated Financial Report for the first quarter of 2022. | | None |
| | 2. To consider whether disguised financial accommodation is classified as a loan of funds. | | None |
| | The results of the audit committee's resolution: all the members present agreed to pass the case. | | |
| | The company's handling of the opinions of the audit committee: all the directors present agreed to pass the case. | | |
| 5th., 2nd session 2022.08.10 | 1. Changes of the endorsement Accountants. | V | None |
| | 2. Consolidated Financial Report for the second quarter of 2022. | | |
| | 3. To consider whether disguised financial accommodation is classified as a loan of funds. | | None |
| | Results of the audit committee's resolution: all members present agreed to pass the resolution as proposed. | | |
| | Disposition of the Audit Committee's Opinion by the Company: All Directors present agreed to approve the motion as presented. | | |
| 6th., 2nd session 2022.11.10 | 1. Review the audit plan for 2021. | V | None |
| | 2. Consolidated Financial Report for the third quarter of 2022. | | |
| | 3. Endorsement and guarantee for reinvestment company. | | |
| | 4. To consider whether disguised financial | V | None |

| Session and Time of meeting | Contents of the major motion and follow-up actions | Matters listed in the Securities and Exchange Act 14-5 | Resolution not approved by the Audit Committee but approved by 2/3 of the Directors |
|---|---|---|---|
| | accommodation is classified as a loan of funds. | | |
| | Resolution of the audit committee on the above cases: all members present agreed to adopt the resolution as presented. | | |
| | The company's handling of the opinions of the audit committee: all the directors present agreed to pass the case. | | |

2. The recusal of an independent director from the implementation of an interest motion shall include the name of the independent director, the content of the motion, the reasons for the recusal, and the circumstances under which the independent director participated in the vote.:None。

3.Communication between the independent directors and the internal auditors and accountants (including the major issues, methods and results of communication regarding the Company's financial and business conditions):

(1) Communication between the independent directors and the head of internal audit and the accountant:

A. Communication between the audit director, the accountant and the independent directors is conducted directly by e-mail, telephone or in person, as necessary.

B. We submit a monthly written summary report of the audit deficiencies and improvements to the servicemen of the previous month to the independent directors for their review and the independent directors approve the explanatory notes/reports or other recommendations on the report.

C. The head of internal audit of the Company conducts audit reports to the independent directors in the Audit Committee and the Board of Directors, and communicates the results of audit reports and their follow-up implementation to the independent directors.

(2) Summary of historical communication between independent directors and head of internal audit:

The independent directors of our company have good communication regarding the execution and effectiveness of the audit operations.

A summary of the key communications for 2022 is as follows:

| Date | Communication Highlights |
|---|---|
| 2022.03.24 | Report on the implementation results of the internal audit plan for 2021 |
| 2022.08.10 | Report on the implementation results of the internal audit plan for 2022 |
| 2022.11.10 | Report on the implementation results of the internal audit plan for 2022 and the internal audit plan for 2023 |

(3) Summary of Communication between Independent Directors and Certified Public Accountants

Our company's independent directors have had good communication with the certifying accountants and a summary of the major communication items for 2022 is as follows:

| Date | Communication Highlights |
|---|---|
| 2022.3.24 | Report on the audit of individual financial statements and consolidated financial statements, report on internal control audits for 2021 |

(3) Corporate Governance Status and Deviations from"The Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"and Reasons

| Evaluation Item | Implementation Status | | | Deviations from"the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| 1.Has the company developed and disclosed principles of corporate governance practices in accordance with the Code of Corporate Governance Practices for Listed Companies? | V | | In accordance with the " principles of Corporate Governance Practices for Listed Companies", the Company has established the "Principles of Corporate Governance Practices" for the Company at the 8th of the 14th Board Meeting (2019.05.08) and disclosed it on the Company's website. | No major differences from the requirements of the Principles of Practice on Governance of TWSE/TPEx listed companies |
| 2.Shareholding structure and shareholders' equity of the Company<br>(1) Does the company have internal procedures to deal with shareholders' suggestions, queries, disputes and litigation matters, and implement them in accordance with the procedures?<br>(2) Does the company have a list of the substantial shareholders and ultimate controllers of the substantial shareholders who effectively control the company?<br>(3) Has the company established and implemented a risk control mechanism and a firewall mechanism with its affiliates?<br>(4) Does the company have internal regulations that prohibit insiders from trading marketable securities using information not publicly available in the market? | V<br>V<br>V<br>V | | (1) The Company has a spokesperson and proxy spokesperson system to ensure shareholders' rights and interests, and is dedicated to handling shareholders' suggestions, queries, disputes and litigation matters.<br>(2) The major shareholders informed the Company of the increase, decrease or pledge of their shares in accordance with the regulations, and the Company reported on the Market Observation Post System in accordance with the law.<br>(3) The Company has established relevant system in the internal control system in accordance with the regulation, and audits are conducted by the audit department, the finance department or by an accountant on a regular or irregular basis.<br>(4) The Company has established "Internal Procedures for Handling Material Information", "Principles of Ethical Conduct" and "Integrity Management Regulations" to regulate internal personnel from having the opportunity to profit from their duties. | (1) No major differences from the requirements of the Principles of Practice on Governance of TWSE/TPEx listed companies<br>(2) No major differences from the requirements of the Principles of Practice on Governance of TWSE/TPEx listed companies<br>(3) No major differences from the requirements of the Principles of Practice on Governance of TWSE/TPEx listed companies<br>(4) No major differences from the requirements of the Principles of Practice on Governance of TWSE/TPEx listed companies |
| 3.Composition and responsibilities of the Board of Directors<br>(1) Does the Board of Directors formulate and implement a diversity policy and specific management goal on the composition of its members? | V | | (1) In accordance with Item 3 of Article 30 of the Company's Principles of Corporate Governance Practices, the composition of the Board of Directors should generally possess the knowledge, skills and qualities necessary for the performance of its duties. In order to achieve the desired objectives of corporate governance, the Board of Directors as a whole should possess the following competencies:<br>1.Operational judgment ability.<br>2.Accounting and financial analysis capabilities.<br>3.Operational management capacity.<br>4.Crisis management capacity.<br>5.Industry knowledge.<br>6.International Market View.<br>7.Leadership<br>8.Decision-making ability.<br>The Company has amended Paragraph 2, Article 23 of the Company's Corporate Governance Best Practice Principles on March 24, 2020 to formulate an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs, i.e., basic | (1) No major differences from the requirements of the Principles of Practice on Governance of TWSE/TPEx listed companies |

requirements and values (such as gender, nationality, and tenure as an independent director), professional knowledge and skills (accounting and finance, operation management, foreign language, risk management, engineering management, leadership decision, and cross-industry management).

The Company has nine directors (including three independent directors), two of whom are certified public accountants, one of whom has a professional background in business management, and the other directors have many years of experience in the industry, so they are able to carry out the duties and responsibilities of the Board of Directors and protect the interests of shareholders.

The Company pays attention on the expertise of the Board members. Two or more directors shall possess one of the expertises to be diversified. Two or more directors possess one of the expertises so far, therefore the compliance rate is 100%. The tenure of the independent director may not exceed nine years. All three independent directors’s tenure is under nine years, so the compliance rate is 100%. The implementation status is as follow:

**Diversity of Board Members.**

| Diversified Core Programs | Basic Members | | | | Professional Capability | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Name of directors | Gender | Nationality | Term qualification of the independent directors: Less than 3 years | Term qualification of the independent directors: 3 to 9 years | Financial accounting | Operating management | Foreign language ability | Risk management | Engineering management | Leadership Decisions | Cross-Industry Operations |
| WU , CHUN-CHI | Male | Taiwan | | | | V | | V | V | V | V |
| WU , CHUN-LANG | Male | Taiwan | | | | V | | V | | V | V |
| WU , CHUN-I | Male | Taiwan | | | | V | | V | V | V | |
| CHEN , CHIN-CHAO | Male | Taiwan | | | | V | V | V | V | V | |
| WU , KUO-CHEN | Male | Taiwan | | | | V | V | V | | V | |
| TING, CHENG-TAI | Male | Taiwan | | | | V | V | V | V | V | |
| HUANG , CHUNG-HUI | Male | Taiwan | | V | V | V | | V | | V | V |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| HOU, RONG- HSIEN | Male | Taiwan | | V | V | V | | V | | V | V |
| HSU,CHIANG | Male | Taiwan | | V | | V | V | V | | V | V |

| | | | | |
|---|---|---|---|---|
| (2) In addition to the remuneration committee and audit committee set up in accordance with the law, does the company voluntarily set up other functional committees?<br><br>(3) Has the company established the performance evaluation method of the Board of Directors and its evaluation method, conducted the performance evaluation every year and regularly, and reported the results of the performance evaluation to the Board of Directors, and applied the reference for individual directors ' remuneration and nomination for renewal?<br><br>(4) Does the company regularly assess the independence of the CPA? | <br><br><br><br>V<br><br><br><br>V | V | (2) In addition to the remuneration committee set up in accordance with the law, the audit committee has been set up in 2018, and other functional committees are still under discussion.<br><br>(3) At the 12th meeting of the 14th session of the Board of Directors (2020.03.24), the Board of Directors approved the "Board Performance Evaluation Method", which will start to conduct regular performance evaluation in 2022 and report the results of the evaluation to the Board on March 16, 2023 and apply it to the reference of individual directors ' remuneration and nomination for renewal.<br><br>(4) 1. The Company's Audit Committee has regularly evaluated the independence of endorsement accountants every year and submitted the result to the Board. It has been approved in the 3rd meeting of the 2nd Audit Committee (March 24, 2022) and submitted and approved in the 4th session of the 15th Board of Directors (March 24, 2022).<br>2. The Audit Committee and the Board of Directors evaluated the independence of the certifying accountant in accordance with Statement of Ethics No. 10, "Integrity, Impartiality, Objectivity and Independence," with respect to financial interests, financing and guarantees, business relationships, family and personal relationships, employment relationships, gifts and special privileges, rotation of certifying accountants and non-audit engagements, and obtained a statement of independence from the certifying accountant and was not aware of any circumstances that might affect the independence of the certifying accountant. | (2) The future will be based on the development needs of the company and the provisions of the laws and regulations to discuss and formulate.<br><br>(3) No major differences from the requirements of the Principles of Practice on Governance of TWSE/TPEx listed companies.<br><br>(4) No major differences from the requirements of the Principles of Practice on Governance of TWSE/TPEx listed companies |
| 4.Does the listed company have a suitable and appropriate number of corporate governance personnel and designate a corporate governance officer to be responsible for corporate governance-related matters (including but not limited to providing information necessary for directors and supervisors to perform their business, assisting directors and supervisors in complying with laws and regulations, conducting board and shareholders' meeting-related matters in accordance with the law, and preparing minutes of board and shareholders' meetings, etc.)? | V | | Passed by the Board's resolution on May 13, 2021 to assign Financial Management Section Manager Lin, Ya-Hsuan as the Corporate Governance Manager and in charge of supervising corporate governance related issues. Section Manager Lin, Ya-Hsuan has over three years experience as a financial manager in a public company. The main duties of a Corporate Governance Manager is as follow:<br>(1) To assist in matters related to the board or shareholders' meetings in accordance with the law.<br>(2) To produce board or shareholders' minute meetings.<br>(3) To assist directors to take office and in advanced studies.<br>(4) To assist directors with required information for the execution of duties.<br>(5) To assist directors' compliance with statutory requirements.<br>(6) Other matters prescribed by the Articles of Incorporation or contract agreements.<br>The advanced studies status of the Corporate Governance Manager is as follows: | No major differences from the requirements of the Principles of Practice on Governance of TWSE/TPEx listed companies. |

| Date From | Date To | Organization | Course Name | Hours | Total hours of the year |
|---|---|---|---|---|---|
| **2021/09/01** | **2021/09/01** | **Securities & Futures Institute** | **The 13th Taipei Corporate Governance Forum** | **6** | **18** |
| **2021/10/13** | **2021/10/13** | **Securities & Futures Institute** | **2021 Briefing on Regulation Compliance of the Insider Equity Transactions** | **3** | |
| **2021/11/12** | **2021/11/12** | **Securities & Futures Institute** | **2021 Briefing on Insider Transaction Prevention** | **3** | |
| **2022/03/24** | **2022/03/24** | **Taiwan Corporate Governance Association** | **How the Board of Directors Reviews ESG Report** | **3** | |
| **2022/04/22** | **2022/04/22** | **Taiwan Institute for Sustainable Energy** | **Transform to Net Zero for Sustainability in 2030** | **3** | |

| | | | | |
|---|---|---|---|---|
| 5. Has the company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.) and set up a stakeholder area on the company's website, and appropriately respond to important CSR issues of concern to stakeholders? | V | | 1. The Company has set up an Investor Zone and a Stakeholder Zone on its website to serve as a channel for communication and feedback between investors and stakeholders, which are also disclosed on the Company's website. The website link as follows: http://www.tyc.com.tw/index.php/investors/view/61<br>2. The Company uses the above communication channels to respond appropriately to the relevant issues of concern to the relevant stakeholders. | No major differences from the requirements of the Principles of Practice on Governance of TWSE/TPEx listed companies. |
| 6. Does the company appoint a professional stockbroker to conduct the shareholders' meeting? | V | | The Company's appointed stockbroker is: Capital Securities Corporation ; for details, please refer to the inner page of the annual report. | No major differences from the requirements of the Principles of Practice on Governance of TWSE/TPEx listed companies. |
| 7. Disclosure of Information<br>(1) Does the company have a website to disclose financial operations and corporate governance information? | V | | (1) The Company's website: http://www.tyc.com.tw Investor Zone discloses relevant financial operations and corporate governance information. | (1) No major differences from the requirements of the Principles of practice on Governance of TWSE/TPEx listed companies |
| (2) Has the Company adopted other methods of information disclosure (e.g., setting up an English website, designating a person in charge of collecting and disclosing company information, implementing a spokesperson system, placing the company's website in the process of corporate presentation, etc.)? | V | | (2) The Company has established a website in English and Chinese to disclose relevant information for investors' reference, and has a person responsible for the collection and disclosure of corporate information, and the Company has established a spokesperson system to speak on behalf of the Company to ensure the interests of the Company and its shareholders. | (2) No major differences from the requirements of the Principles of Practice on Governance of TWSE/TPEx listed companies 。 |
| (3) Does the company announce and report its annual financial report within two months after the end of the fiscal year, and announce and report its first, second and third quarter financial reports and monthly operations well in advance of the required deadline? | | V | (3) The Company did not announce and report its annual financial statements within two months after the end of the fiscal year, but completed the announcement and reporting of financial statements and monthly operations within the time limit set by the competent authorities. | (3) No major differences from the requirements of the Principles of Practice on Governance of TWSE/TPEx listed companies |

| | | | | |
|---|---|---|---|---|
| 8.Does the company have other important information to help understand the operation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, director and supervisor education, implementation of risk management policies and risk measurement standards, implementation of customer policies, and the company's purchase of liability insurance for directors and supervisors)? | V | | 1. Staff Rights and Employee Care.<br>(1) Handle employee labor and health insurance and group insurance, and arrange regular health check-ups for employees.<br>(2) Actively operate the employee welfare committee to improve employee welfare.<br>(3) Organize internal and external training for employees to enhance their professional skills.<br>(4) Regular labor-management meetings are held to harmonize abor-management relations.<br>2. Investor Relations: The Company has an investor relations zone, a spokesperson and a proxy spokesperson system to handle investor proposals.<br>3. Supplier relationship: There is a supply chain management system between the company and the supplier, and the relationship is harmonious with no dispute and litigation arising.<br>4. Stakeholder Rights: Stakeholders may communicate with the Company in order to protect their rights.<br>5. Director training situation:All directors of the Company have completed training hours in 2022.<br>6. Implementation of risk management policies and risk measurement standards: The Company's auditing unit follows the internal control self-assessment procedures and actually performs the assessment of risk management in the procedures.<br>7. Implementation of customer policy: The company maintains a good relationship with customers, and there are no litigation cases.<br>8. Liability insurance taken out by the company for directors:<br>The Company had liability insurance for the Directors as of 30 June 2020. | No major differences from the requirements of the Principles of Practice on Governance of TWSE/TPEx listed companies. |
| 9. Please provide information on the results of the latest annual corporate governance assessment issued by the Corporate Governance Center of the TWSE, and propose priorities and measures to enhance those that have not yet been improved.<br>The Company's corporate governance assessment for 2022 will be improved as follows:<br>1. The Company will establish the information security risk management structure and set up information security policy in 2023. | | | | |

(4) Establishment of the Remuneration Committee, its composition, duties and operation:

1.Member Information of Salary and Compensation Committee:

| Identity | Condition / Name | Professional qualification and experience | Compliance with the case of independence | Number of independent directors of other public offering companies |
|---|---|---|---|---|
| Independent Director (Convener) | HUANG , CHUNG-HUI | Refer to Directors' Information(2) on p.10. | Refer to Directors' Information(2) on p.10. | 0 |
| Independent Director | HOU, RONG-XIAN | Refer to Directors' Information(2) on p.10. | Refer to Directors' Information(2) on p.10. | 0 |
| Other | LIN, TSAI-YUAN | 1. Have more than five years experience as a finance and accounting professor.<br>2. Have more than five years experience in finance and accounting. | 1. The said person, the person's spouse, a second-tier relative is not a director, supervisor, or employee of the Company or its affiliates<br>2. The said person, the person's spouse, a second-tier relative (or held by the person under others' names) does not hold company shares<br>3. Is not a director, supervisor, or employee of a company that has special relation with the Company<br>4. Does not provide commercial, legal, financial, and accounting services to the Company or its affiliates in the last two years<br>5. Not been a person of any conditions defined in Article 30 of the Company Law | 1 |

2.Information on the operation of the Remuneration Committee

(1) The Company's remuneration committee consists of 3 members

(2) The term of office of the current member: From August 3, 2021 to August 2, 2024, the most recent annual Remuneration Committee met two times (A), the qualifications and attendance of the members are as follows:

| Title | Name | Actual Attendance (B) | Number of Delegate attendance | Actual Attendance (%)(B/A) | Remarks |
|---|---|---|---|---|---|
| Convener | HUANG CHUNG-HUI | 2 | 0 | 100% | - |
| Members | HOU, RONG- HSIEN | 2 | 0 | 100% | - |
| Members | LIN, TSAI-YUAN | 2 | 0 | 100% | - |

Meeting contents and resolution results of the Remuneration Committee

| Remuneration Committee Session / Date | Contents of the motion | Resolution | The company's handling of the opinions of the Remuneration Committee |
|---|---|---|---|
| 6th of the 4th session 2021.03.25 | Consideration of the 2020 Distribution of Employee Remuneration and Directors ' Remuneration | All members present agreed to approve the motion as presented | The Board of Directors shall be approved with the consent of all present directors. |
| 7th of the 4th session 2021.05.06 | 1. 2020 Annual Remuneration of Directors<br>2. Review remuneration of directors and managers<br>3. Establish “Regulations of Employee Share Option on 2021 Preferred Share A for Cash Capital Increase”<br>4. Manager share distribution for cash capital to issue new share | All members present agreed to approve the motion as presented | The Board of Directors shall be approved with the consent of all present directors. |

Other items to be recorded:

1.If the Board of Directors does not adopt or amend the recommendation of the remuneration committee, it shall state the date and period of the Board of Directors' meeting, the content of the resolution, the result of the Board of Directors' resolution and the Company's treatment of the recommendation of the remuneration committee (if the remuneration approved by the Board of Directors is better than the recommendation of the remuneration committee, it shall state the difference and the reasons for the difference): None

2.If a member of the remuneration committee has objections or reservations to a resolution and a record or written statement is kept, the date and time of the remuneration committee, the period, the content of the resolution, the opinions of all members, and the disposition of the opinions of the members shall be stated: None.

(5) Sustainable development implementation status, deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies:

| Promoted item | Implementation status | | | Differences between Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| 1. Has the Company set up a sustainable development governance structure and a dedicated (or concurrent) sustainable development promotion unit which is authorized by the Board of Directors to be managed by high-level management and supervised by the Board of Directors? | V | | In response to changes in international trends and issues on climate change, environment, society, and corporate governance, TYC upholds the vision of "bring a meaningful impact on the world" and changes the original point of view from implementing corporate social responsibility to sustainable development. The "Sustainable Development Committee" was officially established in 2022 to promote, plan, and implement corproate sustainable development matters. The general manager is the chairman of this committee; the directors from each division are the accountable members; and the managers from functional departments are members. The Company promotes implementation of corporate sustainable development effectively through the members of the committee working closely together.<br>There are four task teams of corporate governance, environmental sustainability, friendly workplace, and social participation, and an executive office under the Sustainable Development Committee. It vigorously integrates company resources through internal and external environment examination and communication by cross-department and makes policy and action plan (P), implementation (D), and regular performance review (C), and continuous strengthen and improvement adjustment (A) for sustainable development targets. The Committee reports the implementing status and execution result of corporate sustainability to the Board of Directors once a year, and publishes sustainability report to disclose the result of environmental, social, and governance implementation in detail. Verification from a third party agency is expected in 2023 for continuous improvement and implementation on corporate sustainable development policy. | No major differences from the requirements of Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies. |
| 2. Has the Company conducted risk evaluation for environmental, social and corporate governance issues related to the operations of the Company based on the materiality principle, and formulated related risk management policies or strategies? | V | | In order to implement risk management mechanism and strengthen corporate governance, TYC assigns each authority to perform risk and opportunity identification based on the different aspects of operation management, including operational risk, financial risk, and management system risk. It continues to track and confirm on improvement through risk identification and effectively reduces operational risk.<br>※Operational risk management<br>The Company keeps observing changes in market and the industry and convening guideline for management strategy meeting regularly every year. With data collected by each authority to make analysis on internal and external environment before the meeting, it summarizes the Company's advantages, disadvantages, opportunities, and threats, | No major differences from the requirements of Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies. |

| Promoted item | Implementation status | | | Differences between Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | and proposes a specific action plan based on a SWOT analysis result. It will be the reference for guideline for management strategy planning in making short, medium, and long term strategic goals, Key Performance Indicators, and a practicable action plan. It sets up the "Regulations for planning and managing guideline for management strategy and Key Performance Indicators" and reviews the diagnostic operation standards based on Key Performance Indicators for effective management on operation. Operational meeting is regularly held to track and improve on operational performance, so the operational strategy can reach the operational goal.<br>※Financial risk management<br>Finance-related risk management that conducts risk assessment and explains coping strategy with focuses on market risks (exchange rate, interest rate, and equity price), credit risk, and liquidity risk.<br>※Risk management of management systems<br>1. IATF 16949:2016 quality management system for organizations in the global automotive industry.<br>2. ISO 45001 and CNS 45001 Occupational Safety and Health Management System.<br>3. AEO Authorized Economic Operator.<br>※Public health risk management<br>It strengthens prevention in advance and tracking confirmation to prevent impacts on the Company from communicable disease (such as novel influenza, influenza, tuberculosis, dengue, and COVID-19, etc.) spreading. The Company implements epidemic prevention propaganda and measure to all employees, visitors entering the plant, subcontractor, and delivery man with the efforts from the General Affairs Section, Human Resources Section, purchasing unit, and other relevant units, as well as stock up on epidemic prevention supplies. | |
| 3.Environmental issues<br>(1) Has the company established an appropriate environmental management system according to its industrial characteristics? | V | | (1) 1. We have obtained ISO14001:2015 environmental management system certification (Certificate No. TW005050; expiry date: 2023/09/29) to promote industrial waste reduction, energy saving and resource recycling.<br>2. In order to establish a safe and healthy working environment, our company has been certified by ISO45001:2018 in September 2020 (certification number TW005051, expiry date: December 5, 2025) and CNS45001 occupational safety and health management system to implement safety and health management, and hold regular fire fighting education and training for employees and regular inspection of related equipment. | (1) No major differences from the requirements of Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies. |

| Promoted item | Implementation status | | | Differences between Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| (2) Is the company committed to improving resource efficiency and using recycled materials with low impact on the environment? | V | | (2) 1. In the R&D and design stage, we try our best to develop green concept products to reduce the impact on the environment and ecology, and to introduce environment-friendly equipment and technology solutions to properly control and prevent pollution generation. The LED street light has been certified on "carbon footprint" by the Environmental Protection Administration.<br>2. The process wastewater in the plant is treated as secondary water to save water resources, and the raw materials of the production line arerecycled to achieve the reduction of raw materials.<br>3. The process-related equipment is continuously integrated into the inverter energy saving system to reduce the company's energy consumption. The resource waste generated in the plant is treated through the plant recycling system to reduce the amount of waste production.<br>4. The plant water system has been upgraded to continuously improve the efficiency of recycled water use.<br>5. The reduction of process gas emissions to reduce the emission of volatile organic pollutants.<br>6. In line with Tainan City's Low Carbon Autonomy Ordinance, the company has installed a 4,157KW solar energy system to support the Renewable Energy Law in practice. | (2) No major differences from the requirements of Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies. |
| (3) Does the company evaluate the current and future potential risks and opportunities of climate change and take relevant corresponding measures? | V | | (3)1. Our company has established greenhouse gas inventory practices and regularly does an inventory of greenhouse gas emissions in accordance with the international ISO 14064-1:2006 (CNS 14064-1) carbon emission standard, and our production plants have been awarded the Carbon Reduction Action Award by the Environmental Protection Agency.<br>2. Replace chilled water equipment with high efficiency energy saving models to reduce energy consumption and greenhouse gas generation.<br>3. Continued introduction of variable frequency equipment into the production facilities to reduce energy consumption and greenhouse gas<br>emissions within the plant. | (3) No major differences from the requirements of Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies. |
| (4) Has the company compiled statistics on greenhouse gas emissions, water consumption and total weight of waste for the past two years, and has it formulated policies for greenhouse gas reduction, water use reduction or other waste | V | | (4)1. Water consumption: 108,651 tonnes in 2021 and 99,949 tonnes in 2022, a total reduction of 8,702 tonnes (8.01% water saving) through process water recycling. | (4) No major differences from the requirements of Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies. |

| Promoted item | Implementation status | | | Differences between Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| management? | | | 2. Total weight of waste: 585.512 tonnes in 2021 and 506.127 tonnes in 2022, representing a 1-year reduction of 79.39 tonnes (13.5% reduction) in business waste.<br>3. Electricity consumption: 35,838,400 kWh in 2021 and 34,547,120 kWh in 2022, a 1-year decrease of 1,291,280 kWh (3.6% reduction).<br>4. In 2022, we will continue to promote the resource recovery program and carry out the replacement of the inverter system of process facilities.<br>5. Management goal: the polluted water was 58,326 tonnes in 2022 and 65,626 tonnes in 2021, representing 11.1% reduction.<br>6. Measures for goal reaching, climate change estimation, and corresponding:<br>(A) Energy saving and carbon reduction: renew the cooled water chiller unit, air conditioning, and make improvement on carrier to save the electricity.<br>(B) Water management: use recycle water in process water drencher system and air conditioning system.<br>(C) The Company conducts annual discussion on climate change issue through internal and external issues and requirement and expectation evaluation/plan of the stakeholder. It focuses on water resource management improvement this year and builds a reclaimed water system. The polluted water reduced by 11.1% compared to the amount last year. | |
| 4.Social issues<br>(1) Has the company established relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?<br><br>(2) Does the company establish and implement reasonable employee welfare measures (including remuneration, leave and other benefits, etc.) and properly reflect operating performance or results in employee compensation? | V<br><br>V | | (1) In order to fulfill our corporate social responsibility and to protect the basic human rights of all employees and stakeholders, we have established this policy in compliance with the United Nations Universal Declaration of Human Rights, the International Labor Organization Convention and other relevant human rights norms. The Company observes the "Labor Standards Act", "Employment Service Act", "Act of Gender Equality in Employment", "Sexual Harassment Prevention Act", "Occupational Safety and Health Act", and other labor-related laws and regulations to ensure that human rights are not violated and that both internal and external members of the company are treated with respect and fairness.<br><br>(2) The Company has established work rules, welfare management rules and related personnel management regulations, which cover wages, working hours, vacations, employee benefits, pension payments, and compensation for occupational accidents | (1) No major differences from the requirements of Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies.<br><br>(2) No major differences from the requirements of Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies. |

| Promoted item | Implementation status | | | Differences between Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | V | | for the employees employed by the Company in accordance with the Labor Standards Law, and has established an employee welfare committee to handle welfare matters in accordance with the law and taking into account the needs of the employees. employee compensation policies are determined based on individual ability, performance, contribution to the Company, the market value of the position held and consideration of the Company's future operational risks, and are positively related to operational performance. | |
| (3) Does the company provide a safe and healthy working environment for employees, and regularly implement safety and health education for employees? | V<br>V<br>V | | (3) The Company has clearly stipulated the commitment to human rights and employee protection in internal regulations such as "Work Rules", "Employee Recruitment and Hiring Regulations", "Sexual Harassment Prevention Regulations", "Prevention Plan for Unlawful Infringement in the TYC Workplace", and "Personnel Rewards and Punishment Regulations".<br>(i) Equal hiring and career developing opportunity: no discrimination, harassment, or any unfair treatment for the nationality, race, age, gender, marriage status, gender identity, disability, pregnancy, religion, political stand, or other charasteristics.<br>(ii) Prohibition of using child labor: it is strictly required that no child labor should be hired in domestic and oversea business locations. Age and identification shall be identified on all applicants to eradicate hiring child labor.<br>(iii) Value workplace safety: it stipulates standard operation and emergency procedure, and provide work protective gear for employee as appropriate to ensure operational safety.<br>(iv) Promote maternal protection: take necessary measures for female employee working at jobs that might endanger to maternal health, including hazard evaluation and control, doctor's interview and guidance, job suitability arrangement, and other relevant measures.<br>(v) Eliminate workplace violence: the Company takes "zero tolerance" principle for all kinds of unlawful infringement in the workplace, and bulid a safe, honor, non-discriminatory, mutually respectful and tolerant, and equal opportunity workplace culture (including any form of harassment, infringe, physical punishment, verbal insults, and mental oppression, etc.). | (3) No major differences from the requirements of Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies. |

| Promoted item | Implementation status | | | Differences between Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | There were 12 disability incidents in 2022. The number of injured people was 0.75% of the total employees. Environmental, Health and Safety unit has discussed and established an improvement project, as well as checking the hazard identification evaluation chart and risk improvement measure of the equipment to reach the ultimate goal of zero work injury from the improvement measures of management, behavior, and hardward perspectives. | |
| (4) Does the company have an effective career development program for its employees? | | | (4) The Company has established "Educational Training Implementation" to cultivate talents in various professional technology and operation management. It follows TTQS system to develop a vocational training system and carries out cultivation development for employees at various levels and job positions. In addition to the required vocational training course for each level, vocational training activities, such as educational training for newhires, first time job position training, general vocational training, core vocational training, professional vocational training, are also available to inspire employees' working potential and keep strengthening their professional capabilities.<br>TYC makes plan and arrangement for employee to participate in relevant training course based on the training needs every year. In 2022, the training hours in total were 16,433. There were 456 internal educational training courses, which took a total of 15,236 hours with 7,441 person-time. A total of 1,197 hours with 105 person-time were complete for external training course. The total expense for training was NT$2,541,590. The average training hour was 10.2 hour/person with NT$1,582/person for all employees in 2022. | (4) No major differences from the requirements of Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies. |
| (5) Does the company comply with relevant laws and international standards for customer health and safety, customer privacy, marketing and labeling of products and services, and has it established relevant consumer or customer protection policies and complaint procedures? | | | (5) Our company sells in more than 130 countries around the world and produces lights that comply with the relevant international automotive lighting regulations in each country. We listen to and respond to our customers' needs in a timely manner, reacting quickly to market trends and striving for consistent precision and perfection in the design of each product.<br>Grievance channels: In addition to filling out the online form on the website, customers can also use the sales headquarters customer service mailbox (tyc_service@tyc.com.tw) to file a complaint. | (5) No major differences from the requirements of Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies. |

| Promoted item | Implementation status | | | Differences between Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| (6) Does the company have a supplier management policy that requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health or labor human rights, and how is it implemented? | | | (6) To make sure the overall supply chain has met the requirements of domestic laws and regulations, international guidelines and standards, customer demand, as well as achieving the vision of sustainable prosperity, the Company has established the "TYC Supplier's Code of Conduct" in 2022 by refering to the "Guiding Principles on Business and Human Rights" and "The United Nations Global Compact" from the United Nations, and "Fundamental Principles and Rights at Work" from the International Labor Organization and expects the suppliers to build a responsible, environmental, and transparent supply chain relationship. A total of 182 suppliers were evaluated in 2022, and all of them had passed the evaluation. | (6) No major differences from the requirements of Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies. |
| 5.Has the company made reference to international standards or guidelines for the preparation of reports, such as ESG reports, which disclose non-financial information about the company, and has the former report obtained a third-party verification or assurance opinion? | | V | 1. This report is prepared in accordance with the latest version of the GRI Standards (2021 version) issued by the Global Reporting Initiative (GRI) and "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" by the Taiwan Stock Exchange Corporation, as well as Task Force on Climate-related Financial Disclosures (TCFD) to reveal relevant strategies, goals, and actiona of TYC's material topics.<br>2. This report is certified by Bureau Veritas, a third party notarization agency, with AA1000AS v3 of Type 1 Moderate Level on the inclusivity, materiality, responsiveness, and impact of the information disclosed in this report. | No major differences from the requirements of Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies. |
| 6.If the company has its own ESG Principle in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies", please describe how it operates differently from the Principle: The Company does not have a Sustainable Development Best Practice Principles, but explains the sustainable management status from corporate governance, environment, and Social (ESG) aspects in five chapters of "sustainable management and communication", "governance operation", "environmental sustainability", "friendly workplace" and "social participation". | | | | |
| 7.Other important information for understanding the promotion of sustainable development implementation.<br>The Company has issued the second Sustainability Report and hopes the stakeholders can get a better picture on the contribution and result that TYC has done in promoting sustainable development. For more details, please visit the MOPS website for ESG Sustainability Report at https://mops.twse.com.tw/mops/web/t100sb11 | | | | |

## (6) The company's performance of integrity and the measures taken deviations from the Performance of Integrity Best Practice Principles for TWSE/TPEx Listed Companies::

| Evaluation item | Operational status | | | Differences and reasons between the principle of good faith operation of listed and OTC companies |
|---|---|---|---|---|
| | Yes | No | Summary Description | |
| 1.Establish integrity management policies and programs<br>(1) Does the company have an ethical management policy that is approved by the Board of Directors, and does it state in its bylaws and external documents its policies and practices on ethical management, as well as the commitment of the Board of Directors and senior management to actively implement the management policy? | V | | (1) The Company's Board of Directors has approved the "Procedures and Conduct Guidelines for Integrity Management" and a separate "Principle of Ethical Conduct", which specify the Company's integrity management policy and important issues and require Board members and senior management to abide by the principle of integrity; directors are prohibited from participating in discussions and voting on matters that are harmful to the Company's interests and are required to recuse themselves. | (1) No major difference from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons. |
| (2) Has the company established a mechanism to assess the risk of dishonest conduct, regularly analyze and evaluate the business activities within the scope of business that have a higher risk of dishonest conduct, and accordingly formulate a plan to prevent dishonest conduct, and at least cover the preventive measures for the conducts mentioned in paragraph 2 of Article 7 of the "Principle of Conduct for Listed Companies with Integrity"? | V | | (2) On March 24, 2020, the directors of the Company revised the "Operating Procedures and Conduct Guidelines on Integrity" to include the handling of dishonest conduct by the Company's personnel to prevent dishonest conduct, and to uphold the principle of honesty and integrity and comply with the code of ethical conduct when performing their duties. | (2) No major difference from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons. |
| (3) Is the company's dishonesty prevention program clearly defined in the operating procedures, conduct guidelines, disciplinary and grievance systems for non-compliance, and implemented, and is the former program reviewed and revised regularly? | V | | (3) Handling of company personnel involved in dishonest conduct<br>1.The Company encourages internal and external personnel to report dishonest behavior or misconduct, and will pay a discretionary bonus according to the seriousness of the report. Internal personnel who make false reports or malicious accusations shall be subject to disciplinary action and shall be dismissed in serious cases.<br>2.The Company has established and posted an internal independent whistleblower box on the Company's website and intranet site for use by internal and external personnel of the Company. The whistleblower should provide at least the following information:<br>(1) The name and ID number of the person making the report may also be reported anonymously, and the address, telephone number, and e-mail address where the person can be reached.<br>(2) The name or other identifying information of the person being prosecuted.<br>(3) Specific facts that can be investigated.<br>3.The Company's personnel handling the whistleblower case shall declare in writing that the identity of the whistleblower and the contents of the whistleblower case shall be kept confidential, and the Company undertakes to protect the whistleblower from being improperly dealt with as a result of the whistleblower case.<br>4.The following procedures are followed by the Company's dedicated unit for handling complaints. | (3) No major difference from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons. |

| Evaluation item | Operational status | | | Differences and reasons between the principle of good faith operation of listed and OTC companies |
|---|---|---|---|---|
| | Yes | No | Summary Description | |
| | | | (1) Reports should be made to the department head for general employees and to the independent directors for directors or senior executives.<br>(2) The Company's specialized units and the officers or personnel reported in the preceding paragraph shall immediately ascertain the relevant facts and, if necessary, provide assistance from regulatory compliance or other relevant departments.<br>(3) If it is proven that the person being reported has violated the relevant laws and regulations or the Company's policies and regulations on honest behavior/operation, the Company shall immediately request the person being reported to stop the said behavior, and if necessary, report to the competent authorities, refer to the judicial authorities for investigation, or request for damages through legal proceedings in order to protect the Company's reputation and rights.<br>(4) The acceptance of the report, the investigation process and the results of the investigation shall be kept in writing and shall be kept for five years, and shall be kept electronically. Before the expiration of the retention period, in the event of a lawsuit related to the content of the report, the relevant information shall be kept until the end of the lawsuit.<br>(5) If the report is verified to be true, it is responsible to the relevant units of the Company to review the relevant internal control system and operating procedures, and to propose improvement measures to prevent the recurrence of the same behavior.<br>(6) The Company's dedicated unit shall report to the Board of Directors on the reported cases, their handling and subsequent review of improvement measures. | |
| 2.Implementation of integrity management<br>(1) Does the company assess the integrity record of its counterparties and specify the integrity clause in the contracts signed by its counterparties? | V | | (1) The Company has established credit principles and credit limit management system to effectively grasp the information of customers and reduce the risk of the Company's operation. | (1) No major difference from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons. |
| (2) Does the company have a dedicated unit under the Board of Directors to promote corporate integrity and report regularly (at least once a year) to the Board of Directors on its integrity policy and its plans to prevent dishonest practices and monitor their implementation? | V | | (2) In order to improve the management of honest behavior/operations, the human resources department is responsible for formulating and monitoring the implementation of honesty policies and preventive programs, and reporting to the Board of Directors when necessary. | (2) No major difference from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons. |
| (3) Does the company develop conflict-of-interest prevention policies, provide appropriate presentation channels, and implement them? | V | | (3) The Company's conflict of interest prevention policy is used to identify, monitor and manage the risk of conflicts of interest that may lead to dishonest conduct and to provide appropriate channels for directors, managers and other interested persons attending or participating in Board meetings to proactively state whether they have potential conflicts of interest with the Company. | (3) No major difference from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons. |
| (4) Does the company implement the effective accounting system and internal control system established by the integrity management, and | V | | (4)1. The Company ensures that the design and implementation of the system is effective on an ongoing basis by establishing and keeping under review an effective accounting system and internal control system to prevent business activities with higher risk of dishonest | (4) No major difference from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed |

| Evaluation item | Operational status | | | Differences and reasons between the principle of good faith operation of listed and OTC companies |
|---|---|---|---|---|
| | Yes | No | Summary Description | |
| the internal audit unit draws up the relevant audit plan based on the assessment results of the risk of dishonest behavior, and checks the compliance of the plan to prevent dishonest behavior, or entrusts the accountant to perform the audit?<br><br>(5) Does the company regularly hold internal and external education and training in good faith management? | <br><br><br><br><br><br><br>V | | acts.<br>2. The Company's internal auditors regularly review compliance with the preceding system and prepare an audit report for the Board of Directors and may appoint an accountant to perform the review and, if necessary, engage professional assistance.<br><br>(5)1. The company has established integrity management procedures and behavior guidelines, and the "Integrity Management Rules" are set out in the internal standard book. The company uses announcements to inform employees of the rules when they are issued, and they are also documented in the NOTES standard book for their reference.<br>2. Our company sets up annual internal and external training courses to implement the concept of honest behavior/operations on all employees according to their functions. | Companies” and Reasons.<br><br><br><br><br><br><br>(5) No major difference from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons. |
| 3.Operation of the Corporate Prosecution System<br><br>(1) Does the company have a specific reporting and reward system, and has it established a channel to facilitate reporting and assigned appropriate staff to receive reports on the subject?<br>(2) Does the company have standard operating procedures for investigation of whistleblowing matters, follow-up measures to be taken after completion of investigation and relevant confidentiality mechanism? | <br><br>V<br><br><br><br><br>V | | <br><br>(1)The Company encourages internal and external personnel to report dishonest behavior or misconduct, and will pay a discretionary bonus according to the seriousness of their reports. Internal personnel who make false reports or malicious accusations shall be subject to disciplinary action, and those with serious cases shall be dismissed from their positions.<br><br>(2)1. The Company has established and posted an internal independent whistleblower mailbox on the Company's website and intranet site for use by internal and external personnel of the Company. The whistleblower should provide at least the following information.<br>(1) The name and ID number of the person making the report may also be reported anonymously, and the address, telephone number, and e-mail address where the person can be reached.<br>(2) The name or other identifying information of the person being prosecuted.<br>(3) Specific facts that can be investigated.<br>2. The Company's personnel handling the report shall declare in writing that the identity of the whistleblower and the content of the report shall be kept confidential, and the Company undertakes to protect the whistleblower from being improperly dealt with as a result of the report.<br>3. The following procedures should be followed by the company's dedicated unit for handling complaints.<br>(1) Report cases involving general staff should be reported to the head of the department, report cases involving directors or senior executives should be reported to independent directors.<br>(2) The Company's specialized units and the officers or personnel reported in the preceding paragraph shall immediately ascertain the relevant facts and, if necessary, provide assistance from regulatory compliance or other relevant departments.<br>(3) If it is proved that the person being reported has violated the relevant laws and regulations or the Company's policies and regulations on honesty, the Company shall immediately request the person being reported to stop the said behavior, and if | <br><br>(1) No major difference from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons.<br><br>(2) No major difference from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons. |

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Operational status</th><th rowspan="2">Differences and reasons between the principle of good faith operation of listed and OTC companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td></td><td>V</td><td></td><td>necessary, report it to the competent authorities, refer it to the judicial authorities for investigation, or seek damages through legal proceedings in order to protect the Company's reputation and rights.<br>(4) If a lawsuit related to the contents of the report is filed before the expiration of the retention period, the relevant information shall be retained until the end of the lawsuit.<br>(5) If the report is verified to be true, it shall be responsible to the relevant units of the Company to review the relevant internal control system and operating procedures, and propose improvement measures to prevent the recurrence of the same behavior.<br>(6) The responsible unit of the Company shall report to the Board of Directors regarding its handling and follow-up review and improvement measures.</td><td></td></tr>
<tr><td>(3 ) Does the company take measures to protect the whistleblower from improper handling/treatment?</td><td>V</td><td></td><td>(3) Reports will be handled confidentially and employees will be made aware that the Company will do its utmost to protect the safety of those who make good faith reports.</td><td>(3) No major difference from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons.</td></tr>
<tr><td>4.Enhanced information disclosure<br>Does the company disclose the contents and effectiveness of its Principle of Conduct on its website and the Market Observation Post System?</td><td></td><td></td><td>The Company discloses its "Integrity Procedures and Behavior Guidelines" and their effectiveness on the Company's website and the Market Observation Post System.<br>http://www.tyc.com.tw/index.php/governance/statute。<br>Specific measures to operate with integrity.<br>http://www.tyc.com.tw/index.php/investors/view/46。</td><td>No major difference from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons.</td></tr>
<tr><td colspan="5">5.If the company has its own code of Integrity in accordance with the "Principle of Integrity Management of Listed Companies", please describe the differences between its operation and the principle set out:<br>The Company has established "Operating Procedures and Conduct Guidelines for Integrity" which are posted on the Company's website and there are no material differences between the Company's operations and the prescribed operating procedures.</td></tr>
<tr><td colspan="5">6.Other important information to help understand the company's integrity management operation: (Such as the company reviews and amends its code of integrity management, etc.):<br>The company complies with the relevant government laws and regulations, and implements the integrity management policy, for stakeholders to prohibit acts involving dishonesty, pay attention to the rights and interests of each stakeholder, and indeed implement the relevant provisions of corporate governance.</td></tr>
</table>

(7) If the company has established a corporate governance principle and related regulations, it should disclose its inquiry method:

1. To implement corporate governance, the Company has established the relevant corporate governance rules as follows:
   (1) Articles of Incorporation.
   (2) Regulations Governing the Acquisition and Disposal of Assets.
   (3) Procedures for Loaning Funds to Others.
   (4) Procedures for dealing in derivative transactions.
   (5) Procedures for endorsements and guarantees.
   (6) The corporate governance best-practice principles.
   (7) Internal procedures for handling material information.
   (8) Integrity management practices.
   (9) Integrity management procedures and conduct guidelines.
   (10) Codes of Ethical Conduct.
   (11) Rules of Procedure of Shareholders' Meetings.
   (12) Rules of Procedure of the Board of Directors.
   (13) Method of election of directors.
   (14) Rules governing the areas of responsibility of independent directors.
   (15) Rules for the Organization of the Audit Committee.
   (16) Rules for the Organization of the Remuneration Committee.
   (17) Performance evaluation method of the Board of Directors.
2. Disclosure and inquiry methods: the company's website.

(8) Other important information that is sufficient to improve understanding of the state of corporate governance operations: None.

(9) Status of implementation of the internal control system:

1.Statement regarding the Internal Control System

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T.Y.C. BROTHER IND. CO., LTD.

Statement regarding the Internal Control System

Date:2023/2/20

Based on the results of our self-assessment, we declare that our internal control system for the year 2022 is as follows.

1.The Company recognizes that it is the responsibility of the Board of Directors and the Manager to establish, implement and maintain an internal control system, which has been established to provide reasonable assurance of the effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability of reporting, timeliness, transparency and compliance with relevant regulations and compliance with relevant laws and regulations.

2.The Company's internal control system has inherent limitations and no matter how well designed, an effective internal control system can only provide reasonable assurance of the achievement of the above three objectives. Furthermore, the effectiveness of the internal control system may change due to changes in circumstances and conditions, but the Company's internal control system has a self-monitoring mechanism and the Company will take corrective actions once deficiencies are identified.

3.The Company determines the effectiveness of the design and implementation of the internal control system in accordance with the judgment items of the effectiveness of the internal control system stipulated in the "Guidelines Governing the Establishment of Internal Control Systems by Public Companies" (the "Guidelines"), which are divided into five components based on the management control process: 1. control environment, 2. risk assessment, 3. control operations, 4. information and communication, and 5. monitoring operations, each of which consists of certain items as described in the Guidelines.

4.The Company has used the above internal control system evaluation items to assess the effectiveness of the design and implementation of the internal control system.

5.Based on the results of the preceding evaluation, the Company concluded that its internal control system (including the supervision and management of subsidiaries) as of December 31, 2022[Note 2], including the understanding of the extent to which operational effectiveness and efficiency objectives have been achieved, the reporting of such internal control system is reliable, timely, transparent and in compliance with the relevant relevant laws and regulations, and the design and implementation of such internal control system is effective, which can reasonably ensure the achievement of the above objectives.

6.This statement will become the main content of the Company's annual report and public statement, and will be made public, and any misrepresentation or concealment of the above-mentioned content will be subject to legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

7.This statement was approved by the Board of Directors at its meeting held on March 16, 2023, and of the nine directors present, none held an opposing view.

T.Y.C. BROTHER IND. CO., LTD

Chairman of the Board: WU , KUO-CHEN

General Manager: SU,YAN-SHUO

2.If an accountant is engaged to review the internal control system, the accountant's review report should be disclosed: None

(10) For the most recent year and up to the date of printing of the annual report, the company and its internal personnel have been punished by law, or the company has punished its internal personnel for violating the provisions of the internal control system, and the result of the punishment may have a significant impact on the shareholders' equity or the price of securities, the content of the punishment, the main deficiencies and improvements should be stated: None.

(11) Significant resolutions of the shareholders' meeting and the Board of Directors for the latest year and up to the date of printing of the annual report:

1. Board of shareholders

| Meeting date | Summary of Important Proposals | Voting results | Implementation |
|---|---|---|---|
| 2022.06.23 | 2021 Financial Statements | The case was passed by a vote<br>Number of voting rights: 179,408,826, accounting for 98.66% of the shareholders present | Not applicable |
| | FY 2021 Surplus Distribution Proposal | The case was passed by a vote<br>Approval right: 179,663,209, accounting for 98.80% of the shareholders present | Cash dividend for preferred share $0.7890411 and common share $0.5 per share are paid on August 12, 2022 |
| | Amendments to “Regulations Governing the Acquisition and Disposal of Assets” | The case was passed by a vote<br>Approval right: 179,663,861, accounting for 98.80% of the shareholders present | The revised procedures have been followed |

2. Board of Directors

| Period | Meeting date | Summary of Important Proposals | Resolution result |
|---|---|---|---|
| 15-05 | 2022.05.12 | 1. Greenhouse gas inventory and verification schedule.<br>2. CPA’s review status on consolidated financial reports of 2022 Q1.<br>3. Guarantee and endorsement for reinvestment company. | All the directors present (including the independent directors) passed the resolution without objection. |
| 15-06 | 2022.07.08 | 1. Payment of Directors' remuneration of 2021.<br>2. Investment in LSC Ecosystem Corp. | All the directors present (including the independent directors) passed the resolution without objection. |
| 15-07 | 2022.08.10 | 1. Consolidated greenhouse gas inventory and verification schedule with subsidiary.<br>2. Changes in CPA.<br>3. CPA’s review status on consolidated financial reports of 2022 Q2. | All the directors present (including the independent directors) passed the resolution without objection. |
| 15-08 | 2022.09.08 | Election of the Company’s chairman. | All the directors present (including the independent directors) passed the resolution without objection. |
| 15-09 | 2022.10.31 | Election of the Company’s chairman (due to short-form merger of juridical person). | All the directors present (including the independent directors) passed the resolution without objection. |
| 15-10 | 2022.11.11 | 1. Audit plan 2023.<br>2. CPA’s review status on consolidated financial reports of 2022 Q3.<br>3. Amendments of “Rules of Procedure for Board of Directors Meetings”.<br>4. Amendments of “Procedures for Handling Material Inside Information”.<br>5. Amendments of “Corporate Governance Best Practice Principles”. | All the directors present (including the independent directors) passed the resolution without objection. |

| Period | Meeting date | Summary of Important Proposals | Resolution result |
|---|---|---|---|
| | | 6. Capital increase for Kun Shan TYC. High Performance Lighting.<br>7. Funds loaning to BESTE MOTOR CO., LTD. | |
| 15-11 | 2023.01.19 | Changes of the general manager. | All the directors present (including the independent directors) passed the resolution without objection. |
| 15-12 | 2023.03.16 | 1. 2023 Annual Operating Plan.<br>2. The "Assessment of the Effectiveness of the Internal Control System" and the "Statement of Internal Control System" for the year 2022.<br>3. Employee compensation and director compensation distribution for fiscal 2022.<br>4. The Annual Accounts Book 2022.<br>5. FY 2022 Surplus Distribution Case.<br>6. Changes of CPA.<br>7. Review the independence and competency assessment of the company's certified public accountants.<br>8. General principle for pre-approval on non-assurance services policy.<br>9. Capital increase for BESTE MOTOR CO., LTD.<br>10. Apply for bank credit limit.<br>11. The 2023 Shareholders ' Meeting accepts shareholder's proposals.<br>12. Matters related to the convening of the 2023 Ordinary Shareholders' Meeting. | All the directors present (including the independent directors) passed the resolution without objection. |

(12)Directors' dissenting views on important resolutions passed by the Board of Directors during the latest year and up to the date of printing of the annual report, which are recorded or stated in writing: None

(13) Summary of the resignation and dismissal of the Chairman, President, Head of Accounting, Head of Finance, Head of Internal Audit, Head of Corporate Governance and Head of Research and Development of the Company for the most recent year and up to the date of printing of the annual report: None

5.CPA Public Fee Information:

CPA Audit Fee Information

Unit: NT$1,000

| Name of accounting firm | Name of Accountant | Accountant's audit period | Audit Fee | Non-audit Fee | Total | Remarks |
|---|---|---|---|---|---|---|
| ERNST & YOUNG, TAIWAN | HUANG, SHIH-CHIEH | 2022.01.01~2022.3.31 | 8,000 | 1,205 | 9,205 | In cooperation with the job rotation policy |
| | LEE, FANG-WEN | | | | | |
| | HUNG, KUO-SEN | 2022.04.01~2022.12.31 | | | | |
| | LEE, FANG-WEN | | | | | |

Content of non-audit fee: tax compliance audit, business registration, and transfer pricing.

6.Change of accountant information: None

7.If the chairman, general manager, or manager in charge of financial or accounting matters of the Company has worked for the firm of the certified public accountant or its affiliates within the past year, he/she should disclose his/her name, title, and period of employment with the firm of the certified public accountant or its affiliates: None

8.The following are the movements in shareholdings and pledges of shareholdings of directors, supervisors, managers and shareholders holding more than 10 percent of the shares during the latest year and up to the date of printing of the annual report.

1.Changes in shareholdings of directors, supervisors, managers and substantial shareholders.

| Title | Name | Fiscal Year 2022 | | Current year ended March 31 | |
|---|---|---|---|---|---|
| | | Increase (decrease) in number of shares held | Increase (decrease) in the number of shares pledged | Increase (decrease) in the number of shares held | Increase (decrease) in the number of pledged shares |
| Chairman | WU , KUO-CHEN — Legal Representative of Kuo-Chi-Min Investment Co., Ltd. | 0 | 0 | 0 | 0 |
| Director | WU , CHUN-LANG | 0 | 0 | 0 | 0 |
| Director | WU , CHUN-I | 0 | 0 | 0 | 0 |
| Director | CHUANG, TAI-SHIE | 0 | 0 | 0 | 0 |
| Director | WU , CHUN-CHI | 0 | 0 | 0 | 0 |
| Director | CHEN , CHIN-CHAO—Legal Representative of Yuan-Hong Investment Co., Ltd. | 0 | 0 | 0 | 0 |
| Independent Director | HUANG , CHUNG-HUI | 0 | 0 | 0 | 0 |
| Independent Director | HOU, RONG- HSIEN | 0 | 0 | 0 | 0 |
| Independent Director | HSU,CHIANG | 0 | 0 | 0 | 0 |
| Major shareholder | Kuo-Chi-Min Investment Co., Ltd. | 0 | 1,200,000 | 0 | 0 |
| Major shareholder | Yih Heng Investment Co., Ltd | 0 | 3,700,000 | 0 | 0 |
| Manager | SU,YAN-SHUO | 0 | 0 | 0 | 0 |
| Manager | CHEN , CHIN-CHAO | 0 | 0 | 0 | 0 |
| Manager | TING, CHENG-TAI | 0 | 0 | 0 | 0 |
| Manager | WU , KUO-CHEN | 0 | 0 | 0 | 0 |
| Manager | WENG,YI-FENG | 0 | 0 | 0 | 0 |
| Manager | WU,PING-HUI | 0 | 0 | 0 | 0 |
| Manager | SHEN,I-CHUAN | 0 | 0 | 0 | 0 |
| Manager | WU,WEN-KUEI | 0 | 0 | 0 | 0 |
| Manager | LIN,CHUN-KUEI | 0 | 0 | 0 | 0 |
| Manager | CHAO,YUAN-CHUN | 0 | 0 | 0 | 0 |
| Manager | HSU,YU-HUI | 0 | 0 | 0 | 0 |
| Manager | LIN,MIN FENG | 0 | 0 | 0 | 0 |
| Manager | LIU,YU-CHUNGMR | 0 | 0 | 0 | 0 |

Note 1: Manager WU, KUO-CHEN servers as the Chairman since September 8, 2022.

Note 2: Due to manager CHEN, CHIN-CHAO’s position adjustment, SU, YAN-SHUO will serve as manager on February 1, 2023.

Note 3: TA YIH TA INVESTMENT CO., LTD. has been short form mergered with KUO-CHI-MIN INVESTMENT CO., LTD., and renamed as KUO-CHI-MIN INVESTMENT CO., LTD. on October 31, 2022.

2.Information on the transfer of shares to related parties: None

3.Information on the pledge of shares by a related party: None

# 9. Information on the relationship between the top 10 shareholders and their respective shareholdings.

| Name | Shares held by owning | | Spouse. Minor children holding shares | | Total shareholding in the name of others | | The top10 shareholders are related to each other or are spouses. The names and relationships of the top ten shareholders who are related to each other or are spouses or relatives within the second degree of consanguinity | | Remark |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Shareholding Ratio | Number of shares | Shareholding Ratio | Number of shares | Shareholding Ratio | Title (or name) | Relationships | |
| KUO-CHI-MIN INVESTMENT CO., LTD. | 66,587,044 | 21.28% | 0 | 0 | 0 | 0 | None | None | - |
| Representative: WU , KUO-CHEN | 296,211 | 0.09% | 828,278 | 0.26% | 0 | 0 | WU , CHUN-CHI | Father and son | - |
| YIH HENG INVESTMENT CO., LTD | 50,420,654 | 16.11% | 0 | 0 | 0 | 0 | None | None | - |
| Representative: WU , CHUN-LANG | 5,401,383 | 1.73% | 828,278 | 0.26% | 0 | 0 | WU , CHUN-I、Representative of TA WEI INVESTMENT CO., LTD. WU , CHUN-I、Representative of CHI-MIN INVESTMENT CO., LTD.WU , CHUN-CHI | brotherhood | - |
| DING WAN INVESTMENT CO., LTD | 10,522,852 | 3.36% | 0 | 0 | 0 | 0 | None | None | - |
| Representative:WU,MAI-HUI-E | 823,474 | 0.26% | 4,593,613 | 1.47% | 0 | 0 | WU , CHUN-I、Representative of TA WEI INVESTMENT CO., LTD. WU , CHUN-I | Spouse | - |
| TA WEI INVESTMENT CO., LTD. | 10,498,871 | 3.36% | 0 | 0 | 0 | 0 | None | None | - |
| Representative: WU , CHUN-I | 4,593,613 | 1.47% | 823,474 | 0.26% | 0 | 0 | Representative of DING WAN INVESTMENT COLTD. WU,MAI-HUI-E | Spouse | - |
| | | | | | | | Representative of CHI-MIN INVESTMENT CO., LTD.WU , CHUN-CHI、WU , CHUN-LANG、Representative of YIH HENG INVESTMENT CO., LTD. WU , CHUN-LANG | brotherhood | - |
| Chi-Min Investment Co., Ltd. | 7,112,893 | 2.27% | 0 | 0 | 0 | 0 | None | None | - |
| Representative: WU , CHUN-CHI | 824,081 | 0.26% | 828,278 | 0.26% | 0 | 0 | WU , CHUN-I.、Representative of TA WEI INVESTMENT CO., LTD. WU , CHUN-I WU , CHUN-LANG 、Representative of YIH HENG INVESTMENT CO., LTD. WU , CHUN-LANG | brotherhood | - |
| WU , CHUN-LANG | 5,401,383 | 1.73% | 828,278 | 0.26% | 0 | 0 | WU , CHUN-I.、Representative of TA WEI INVESTMENT CO., LTD. WU , CHUN-I Representative of CHI-MIN INVESTMENT CO., LTD.WU , CHUN-CHI | brotherhood | - |
| Yuan-Hong Investment Co., Ltd. | 5,354,451 | 1.71% | 0 | 0 | 0 | 0 | None | None | - |
| Representative: WU, CHENG-YUAN | 5,401,383 | 1.73% | 828,278 | 0.26% | 0 | 0 | WU , CHUN-LANG | Father and son | - |
| WU , CHUN-I | 4,593,613 | 1.47% | 823,474 | 0.26% | 0 | 0 | Representative of Ding Wan Investment Co., Ltd-WU,MAI-HUI-E | Spouse | - |
| | | | | | | | Representative of CHI-MIN INVESTMENT CO., LTD.WU , CHUN-CHI WU , CHUN-LANG、Representative of YIH HENG INVESTMENT CO., LTD. WU , CHUN-LANG | brotherhood | |
| JPMorgan Chase Bank N.A. Taipei Branch in Custody for Japan Securities Finance Co., Ltd. Investment Account | 2,929,000 | 0.94% | 0 | 0 | 0 | 0 | None | None | - |
| JPMorgan Chase Bank N.A. Taipei Branch in Custody for Securities | 2,614,092 | 0.84% | 0 | 0 | 0 | 0 | None | None | - |

## 10.Consolidated shareholding:

Units: Shares；%

| Transfer of Investment Business (Note) | Investment of the Company | | Investment of directors, supervisors, managers and directly or indirectly controlled enterprises | | Consolidated investment | |
|---|---|---|---|---|---|---|
| | Number of Shares | Shareholding ratio | Number of Shares | Shareholding ratio | Number of Shares | Shareholding ratio |
| TI YUAN INVESTMENT CO., LTD. | 5,731 | 100% | - | - | 5,731 | 100% |
| TI FU INVESTMENT CO., LTD. | 9,550 | 100% | - | - | 9,550 | 100% |
| JUOKU TECHNOLOGY CO., LTD. | 27,923,401 | 72.10% | 1,619,792 | 4.18% | 29,542,091 | 76.29% |
| Tamau Management Consultancy Co., Ltd. | 260,000 | 100% | - | - | 260,000 | 100% |
| SUPRA-ATOMIC CO., LTD | 65,332,450 | 100% | - | - | 65,332,450 | 100% |
| BESTE MOTOR CO., LTD | 12,072,000 | 100% | - | - | 12,072,000 | 100% |
| CONTEK CO., LTD. | 2,186,000 | 100% | - | - | 2,186,000 | 100% |
| I YUAN PRECISION INDUSTRIAL CO., LTD. | 5,617,854 | 15.66% | - | - | 5,617,854 | 15.66% |
| INNOVA HOLDING CORP. | 5,549 | 100% | - | - | 5,549 | 100% |
| TYC VIETNAM INDUSTRIAL CO., LTD. | - | 60% | - | - | - | 60% |
| TSM TECH CO., LTD. | - | - | 300,000 | 100.00% | 300,000 | 100.00% |
| PT.ASTRA JUOKO | - | - | 1,126,500 | 50.00% | 1,126,500 | 50.00% |
| DBM REFLEX OF TAIWAN CO., LTD. | - | - | 6,000,000 | 50.00% | 6,000,000 | 50.00% |
| EUROPILOT CO., LTD | - | - | 14,359,821 | 100.00% | 14,359,821 | 100.00% |
| MOTOR-CURIO CO., LTD | - | - | 1,893,400 | 100.00% | 1,893,400 | 100.00% |
| SPARKING CO., LTD | - | - | 30,915,717 | 100.00% | 30,915,717 | 100.00% |
| EUROLITE CO., LTD | - | - | 14,697,972 | 100.00% | 14,697,972 | 100.00% |
| UNIMOTOR INDUSTRAL CO., LTD | - | - | 6,887,000 | 100.00% | 6,887,000 | 100.00% |
| TYC EUROPE B.V | - | - | 120,000 | 100.00% | 120,000 | 100.00% |
| T.I.T INTERNATION CO., LTD | - | - | 4,994,900 | 99.98% | 4,994,900 | 99.98% |
| VARROC TYC CORPORATION | - | - | 14,072,000 | 50.00% | 14,072,000 | 50.00% |
| ATECH INTERNATIONAL CO.,LTD. | - | - | 2,250,000 | 25.00% | 2,250,000 | 25.00% |
| GENERA CORPORATION | - | - | 12,388,505 | 100.00% | 12,388,505 | 100.00% |
| W&W REAL PROPERTY,INC. | - | - | 1,000,000 | 100.00% | 1,000,000 | 100.00% |
| VARROC TYC CORPORATION | - | - | - | 50.00% | - | 50.00% |
| CHANGZHOU DAMAO PRECISION INDUSTRIAL CO.,LTD. | - | - | - | 100.00% | - | 100.00% |
| SUNNYTECH.CN Inc. | - | - | - | 30.00% | - | 30.00% |
| XIANLIANG (KUN SHAN)AUTO PARTS CO., LTD., | - | - | - | 20.00% | - | 20.00% |
| KUN SHAN TYC HIGH PERFORMANCE LIGHTING TECH CO., LTD. | - | - | - | 100.00% | - | 100.00% |
| Chin-Li-Ma Hight Performance Luminaire Co., Ltd. | - | - | - | 30.00% | - | 30.00% |
| Kunshan Atech Autoparts Manufacturing Co., Ltd. | - | - | - | 25.00% | - | 25.00% |
| Jiangsu imperial standard dustrial technology co., Ltd | - | - | - | 25.00% | - | 25.00% |

Note: Long-term investments accounted for using the equity method.

# IV.Fund raising situation

## 1.Capital and share capital :

### (1) Source of share capital:

#### 1.Share capital formation

| Year/Month | Issue price | Authorized share capital | | Paid-in capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | Number of shares | Amount | Number of shares | Amount | Source of share capital | Property other than cash against shares | Others |
| 1986.09 | 10 | 600,000 | 6,000,000 | 600,000 | 6,000,000 | Establishment | None | - |
| 1987.10 | 10 | 3,600,000 | 36,000,000 | 3,600,000 | 36,000,000 | Cash capital increase 30,000,000 | None | - |
| 1988.06 | 10 | 10,000,000 | 100,000,000 | 10,000,000 | 100,000,000 | Cash capital increase 64,000,000 | None | - |
| 1989.03 | 10 | 17,000,000 | 170,000,000 | 17,000,000 | 170,000,000 | Cash capital increase 70,000,000 | None | - |
| 1989.12 | 10 | 42,000,000 | 420,000,000 | 42,000,000 | 420,000,000 | Cash capital increase 250,000,000 | None | - |
| 1995.06 | 10 | 47,880,000 | 478,800,000 | 47,880,000 | 478,800,000 | Surplus to capital increase 16,800,000<br>Capital reserve to increase capital 42,000,000 | None | Approved by TWSE (1) No. 37257 on June 26, 1995 |
| 1996.07 | 10 | 80,000,000 | 800,000,000 | 60,500,000 | 605,000,000 | Surplus to capital increase 71,820,000<br>Capital reserve to increase capital 23,940,000<br>Cash capital increase 30,440,000 | None | Approved by TWSE (1) No. 39773 on July 3, 1996 |
| 1996.05 | 10 | 80,000,000 | 800,000,000 | 72,600,000 | 726,000,000 | Surplus to capital increase 121,000,000 | None | Approved by TWSE (1) No. 40709 on May 29, 1997 |
| 1998.05 | 10 | 186,000,000 | 1,860,000,000 | 114,380,000 | 1,143,800,000 | Surplus to capital increase 181,500,000<br>Capital reserve to increase capital 36,300,000<br>Cash capital increase 200,000,000 | None | Approved by TWSE (1) No. 37130 on May 8, 1998 |
| 1999.06 | 10 | 190,000,000 | 1,900,000,000 | 137,256,000 | 1,372,560,000 | Surplus to capital increase 228,760,000 | None | Approved by TWSE (1) No. 52440 on June 7, 1999 |
| 2000.06 | 10 | 280,000,000 | 2,800,000,000 | 164,707,200 | 1,647,072,000 | Surplus to capital increase 192,158,400<br>Capital reserve to increase capital 82,353,600 | None | Approved by (2000) TWSE (1) No. 50760 on June 14, 2000 |
| 2001.06 | 10 | 280,000,000 | 2,800,000,000 | 169,648,416 | 1,696,484,160 | Surplus to capital increase 49,412,160 | None | Approved by TWSE (1) No. 139164 on June 19, 2001 |
| 2002.06 | 10 | 280,000,000 | 2,800,000,000 | 183,220,290 | 1,832,202,900 | Surplus to capital increase 135,718,740 | None | Approved by TWSE No. 1 letter 0910132228 dated June 14, 2002 |
| 2003.07 | 10 | 280,000,000 | 2,800,000,000 | 192,381,305 | 1,923,813,050 | Surplus to capital increase 91,610,150 | None | Approved by TWSE No. 1 letter 0920130067 on July 7, 2003 |
| 2004.06 | 10 | 280,000,000 | 2,800,000,000 | 216,428,968 | 2,164,289,680 | Surplus to capital increase 240,476,630 | None | Approved by TWSE No. 1 letter 0930127901 on June 24, 2004 |
| 2004.10 | 10 | 280,000,000 | 2,800,000,000 | 216,617,011 | 2,166,170,110 | Conversion of corporate bonds into shares 1,880,430 | None | Approved by MOEA No. 09301196240 on October 18, 2004 |
| 2004.07 | 10 | 280,000,000 | 2,800,000,000 | 242,611,052 | 2,426,110,520 | Surplus to capital increase 259,940,410 | None | Approved by FSC No. 0940127302 on July 7, 2005 |

| Year/Month | Issue price | Authorized share capital | | Paid-in capital | | Remarks | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Number of shares | Amount | Number of shares | Amount | Source of share capital | | Property other than cash against shares | Others |
| 2005.10 | 10 | 280,000,000 | 2,800,000,000 | 244,961,775 | 2,449,617,750 | Conversion of corporate bonds into shares | 23,507,230 | None | Approved by MOEA No. 09501010450 on January 18, 2006 |
| 2006.04 | 10 | 280,000,000 | 2,800,000,000 | 245,069,906 | 2,450,699,060 | Conversion of corporate bonds into shares | 1,081,310 | None | Approved by MOEA No. 09501010450 on January 18, 2006 |
| 2006.07 | 10 | 400,000,000 | 4,000,000,000 | 248,638,304 | 2,486,38,3040 | Conversion of corporate bonds into shares | 35,683,980 | None | Approved by MOEA No. 09501152710 on July 28, 2006 |
| 2007.01 | 10 | 400,000,000 | 4,000,000,000 | 249,061,432 | 2,490,614,320 | Conversion of corporate bonds into shares | 4,231,280 | None | Approved by MOEA No. 09601011330 on January 16, 2007 |
| 2007.04 | 10 | 400,000,000 | 4,000,000,000 | 249,070,834 | 2,490,078,340 | Conversion of corporate bonds into shares | 94,020 | None | Approved by MOEA No. 09601079840 on April 19, 2007 |
| 2007.09 | 10 | 400,000,000 | 4,000,000,000 | 252,806,896 | 2,528,068,960 | Surplus to capital increase | 37,360,620 | None | Approved by MOEA No. 09601222870 on September 12, 2007 |
| 2007.10 | 10 | 400,000,000 | 4,000,000,000 | 261,068,257 | 2,610,682,570 | Conversion of corporate bonds into shares | 82,613,610 | None | Approved by MOEA No. 09601263180 on October 25, 2007 |
| 2008.01 | 10 | 400,000,000 | 4,000,000,000 | 261,778,783 | 2,617,787,830 | Conversion of corporate bonds into shares | 7,105,260 | None | Approved by MOEA No. 09701013290 on January 21, 2008 |
| 2008.04 | 10 | 400,000,000 | 4,000,000,000 | 267,658,522 | 2,676,585,220 | Conversion of corporate bonds into shares | 58,797,390 | None | Approved by MOEA Letter No. 09701093330 on April 18, 2008 |
| 2008.07 | 10 | 400,000,000 | 4,000,000,000 | 267,668,059 | 2,676,680,590 | Conversion of corporate bonds into shares | 95,370 | None | Approved by MOEA No. 09701178920 on July 31, 2008 |
| 2008.11 | 10 | 400,000,000 | 4,000,000,000 | 278,321,754 | 2,783,217,540 | Surplus to capital increase | 106,536,950 | None | Approved by MOEA No. 09701282450 on November 5, 2008 |
| 2008.12 | 10 | 400,000,000 | 4,000,000,000 | 272,218,754 | 2,722,187,540 | Cancellation of treasury shares | 61,030,000 | None | Approved by MOEA No. 09701318420 on December 22, 2008 |
| 2009.10 | 10 | 400,000,000 | 4,000,000,000 | 280,286,316 | 2,802,863,160 | Surplus to capital increase | 80,675,620 | None | Approved by MOEA no.09801226020 on October 1, 2009 |
| 2010.10 | 10 | 400,000,000 | 4,000,000,000 | 307,984,948 | 3,079,849,480 | Surplus to capital increase | 276,986,320 | None | Approved by MOEA no.09901222580 on October 4, 2010 |
| 2011.10 | 10 | 400,000,000 | 4,000,000,000 | 317,125,496 | 3,171,254,960 | Surplus to capital increase | 91,405,480 | None | Approved by MOEA No. 10001227970 on October 6, 2011 |
| 2012.01 | 10 | 400,000,000 | 4,000,000,000 | 312,338,496 | 3,123,384,960 | Cancellation of treasury shares | 47,870,000 | None | Approved by MOEA Letter No. 1010101840 on January 4, 2012 |

| Year/Month | Issue price | Authorized share capital | | Paid-in capital | | Remarks | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Number of shares | Amount | Number of shares | Amount | Source of share capital | | Property other than cash against shares | Others |
| 2012.10 | 10 | 400,000,000 | 4,000,000,000 | 314,261,881 | 3,142,618,810 | Surplus to capital increase | 31,233,850 | None | Approved by MOEA No. 10101203870 on October 3, 2012 |
| | | | | | | Cancellation of treasury shares | 12,000,000 | | |
| 2013.05 | 10 | 400,000,000 | 4,000,000,000 | 312,897,881 | 3,128,978,810 | Cancellation of treasury shares | 13,640,000 | None | Approved by MOEA No. 10201091880 on May 17, 2013 |
| 2021.08 | 10 | 400,000,000 | 4,000,000,000 | 342,897,881 | 3,428,978,810 | Cash capital increase (preferred shares) | 300,000,000 | None | Approved by MOEA No. 11001147460 on August 19, 2021 |

2. Type of shares:

Units: Shares

| Shares | Approved share capital | | | Remark |
|---|---|---|---|---|
| Type of Shares | Outstanding shares | Unissued shares | Total | |
| Ordinary Shares | 312,897,881 | 57,102,119 | 400,000,000 | Listed |
| Preferred Shares | 30,000,000 | | | |

3. Information about the master reporting system: None

(2) Shareholder Structure:

1. Ordinary Shares

April 16, 2023

| Shareholder Structure / Quantity | Government | Financial organization | Other Legal Entities | Foreign Organizations and Foreigners | Individual | Total |
|---|---|---|---|---|---|---|
| Number of people | 0 | 0 | 49 | 100 | 27, 249 | 27, 398 |
| Number of shares held | 0 | 0 | 153, 674, 157 | 26, 521, 920 | 132, 701, 804 | 312, 897, 881 |
| Shareholding ratio | 0. 00% | 0. 00% | 49. 11% | 8. 48% | 42. 41% | 100. 00% |

Percentage of shares held by mainland investors: None

2. Preferred Shares

April 16, 2023

| Shareholder Structure / Quantity | Government | Financial organization | Other Legal Entities | Foreign Organizations and Foreigners | Individual | Total |
|---|---|---|---|---|---|---|
| Number of people | 0 | 0 | 11 | 1 | 2, 232 | 2, 244 |
| Number of shares held | 0 | 0 | 24, 094, 846 | 485 | 5, 904, 669 | 30, 000, 000 |
| Shareholding ratio | 0. 00% | 0. 00% | 80. 32% | 0. 00% | 19. 68% | 100. 00% |

Percentage of shares held by mainland investors: None

(3) Diversification of shareholding:

1. Ordinary shares:

April 16, 2023

| Shareholding Grades | Number of Shareholders | Number of shares held | Shareholding ratio |
|---|---|---|---|
| 1 to 999 | 6, 831 | 1, 395, 936 | 0. 45% |
| 1,000 to 5,000 | 16, 196 | 34, 478, 464 | 11. 02% |
| 5,001 to 10,000 | 2, 453 | 20, 174, 751 | 6. 45% |
| 10,001 to 15,000 | 631 | 8, 093, 354 | 2. 59% |
| 15,001 to 20,000 | 437 | 8, 225, 629 | 2. 63% |
| 20,001 to 30,000 | 315 | 8, 201, 906 | 2. 62% |
| 30,001 to 40,000 | 149 | 5, 399, 917 | 1. 73% |
| 40,001 to 50,000 | 87 | 4, 103, 360 | 1. 31% |
| 50,001 to 100,000 | 163 | 12, 036, 266 | 3. 85% |
| 100,001 to 200,000 | 68 | 9, 297, 038 | 2. 97% |
| 200,001 to 400,000 | 33 | 8, 936, 914 | 2. 86% |
| 400,001 to 600,000 | 6 | 2, 856, 477 | 0. 91% |
| 600,001 to 800,000 | 2 | 1, 337, 522 | 0. 42% |
| 800,001 to 1,000,000 | 6 | 5, 183, 541 | 1. 65% |
| More than 1,000,001 | 21 | 183, 176, 806 | 58. 54% |
| Total | 27, 398 | 312, 897, 881 | 100. 00% |

2. Preferred Shares:

April 16, 2023

| Shareholding Grades | Number of Shareholders | Number of shares held | Shareholding ratio |
|---|---|---|---|
| 1 to 999 | 923 | 176, 254 | 0. 59% |
| 1,000 to 5,000 | 1, 239 | 1, 470, 873 | 4. 90% |
| 5,001 to 10,000 | 34 | 269, 036 | 0. 90% |
| 10,001 to 15,000 | 9 | 113, 000 | 0. 38% |
| 15,001 to 20,000 | 5 | 93, 000 | 0. 31% |
| 20,001 to 30,000 | 3 | 76, 900 | 0. 26% |
| 30,001 to 40,000 | 8 | 308, 437 | 1. 03% |
| 40,001 to 50,000 | 2 | 91, 000 | 0. 30% |
| 50,001 to 100,000 | 4 | 317, 000 | 1. 06% |
| 100,001 to 200,000 | 4 | 599, 000 | 2. 00% |
| 200,001 to 400,000 | 5 | 1, 875, 000 | 6. 25% |
| 400,001 to 600,000 | 3 | 1, 549, 000 | 5. 16% |
| 600,001 to 800,000 | 0 | 0 | 0. 00% |
| 800,001 to 1,000,000 | 1 | 1, 000, 000 | 3. 33% |
| More than 1,000,001 | 4 | 22, 061, 500 | 73. 53% |
| Total | 2, 244 | 30, 000, 000 | 100. 00% |

(4) List of major shareholders:

1. Ordinary shares:

April 16, 2023

| Shares / Name of Major Shareholders | Number of shares held | Holding ratio |
|---|---|---|
| Kuo-Chi-Min Investment Co., Ltd | 66,587,044 | 21.28% |
| Yih Heng Investment Co., Ltd | 50,420,654 | 16.11% |
| Ding Wan Investment Co., Ltd | 10,522,852 | 3.36% |
| Ta Wei Investment Co., Ltd. | 10,498,871 | 3.36% |
| Chi-Min Investment Co., Ltd. | 7,112,893 | 2.27% |
| WU , CHUN-LANG | 5,401,383 | 1.73% |
| Yuan-Hong Investment Co., Ltd. | 5,354,451 | 1.71% |
| WU , CHUN-I | 4,593,613 | 1.47% |
| JPMorgan Chase Bank N.A. Taipei Branch in Custody for Japan Securities Finance Co., Ltd. Investment Account | 2,929,000 | 0.94% |
| JPMorgan Chase Bank N.A. Taipei Branch in Custody for Securities | 2,614,092 | 0.84% |

2. Preferred Shares:

April 16, 2023

| Shares / Name of Major Shareholders | Number of shares held | Holding ratio |
|---|---|---|
| Kuo-Chi-Min Investment Co., Ltd | 8,062,000 | 26.87% |
| Yih Heng Investment Co., Ltd | 7,000,000 | 23.33% |
| Chi-Min Investment Co., Ltd. | 3,999,500 | 13.33% |
| Ta Wei Investment Co., Ltd. | 3,000,000 | 10.00% |
| Yulon Motor Co.,Ltd. | 1,000,000 | 3.33% |
| Kwang Dah Trading Co., Ltd. | 600,000 | 2.00% |
| HUANG,CHIN-YUEH | 520,000 | 1.73% |
| CAPITAL SECURITIES CORPORATION | 429,000 | 1.43% |
| WU , KUO-CHEN | 400,000 | 1.33% |
| CHEN , CHIN-CHAO | 400,000 | 1.33% |

(5) Stock price per share, net worth, earnings, dividends and related information for the past two years.

| Item \ Year | | | 2020 | 2022 | Current year as of March 31 |
|---|---|---|---|---|---|
| Price/ Share | Max | | 29.40 | 34.15 | 30.60 |
| | Min | | 16.20 | 17.70 | 26.55 |
| | Average | | 23.04 | 24.96 | 28.54 |
| PB | Before distribution | | 20.60 | 28.35 | 28.60 |
| | After distribution | | 24.79 | 26.55 | Not yet allocated |
| EPS | Weighted average number of shares | | 311,958 | 311,958 | 311,958 |
| | EPS | | 0.84 | 2.91 | 0.65 |
| DPS | Cash dividends | | 0.6 | 1.8 | 0 |
| | Free Allotment | SRE | 0 | 0 | 0 |
| | | SCAP | 0 | 0 | 0 |
| | Accumulated unpaid dividends | | 0 | 0 | 0 |
| ROI analysis | P/E ratio | | 19.99 | 8.58 | 10.98 |
| | PER | | 38.40 | 13.87 | 0 |
| | Dividend yield | | 2.60% | 7.21 | 0 |

(6) Company Dividend Policy and Enforcement Status.

1.Dividend policy:

In accordance with the revised Articles of Incorporation, the Company's industrial environment is changing rapidly and the Company is in the growth stage. Based on the capital expenditure requirements and sound financial planning for sustainable operation, if there is any surplus after each year's final accounts, in addition to paying all taxes and contributions in accordance with the law, the Company shall first make up for the deficits of previous years and then set aside 10% of the remaining amount as legal reserve, and after setting aside a special reserve or reversal of the special reserve for the net reduction in shareholders' equity that occurred in the current year and accumulated in the previous years in accordance with the regulations, the Company shall consolidate the accumulated undistributed earnings at the beginning of the period as dividends to shareholders, and distribute the remaining amount as dividends on common shares after distributing the preferred dividends in accordance with Article 7-1 of the Articles of Incorporation.

2.The shareholders' committee proposed the following dividend distribution:

The 2022 earnings distribution is approved on the Board of Directors meeting on March 16, 2023. The total accumulated distributable earnings for fiscal 2022 amounted to NT$623,216,186 (all amounts stated below are in New Taiwan dollars). $1.8 per common share, and $2 for preferred share A. All dividend is distributed in cash.

(7) Effect of the proposed gratis allotment of shares at the shareholders' meeting on the Company's operating results and earnings per share: Not applicable

(8) Employees, Directors' Remuneration:

1、The percentage or range of remuneration of employees and directors as set out in the Articles of Association.
In accordance with the revised Articles of Incorporation, the Company shall contribute not less than 1% of its annual profits to the remuneration of its employees and the remuneration of its directors (up to 3%), provided that the Company shall reserve in advance an amount to cover any accumulated losses.

2、The basis for estimating the amount of remuneration to employees and directors, the basis for calculating the number of employee compensation shares to be distributed in shares, and the accounting treatment if the actual amount distributed differs from the estimated amount.
Approved by the annual general meeting on June 23, 2022, the distribution for employee remuneration in 2021 (no less than 1%) is $12,000,000 and $5,200,000 for the director remuneration (no more than 3%), all payable in cash. No difference from the amount to be recognized in 2021.

3、Information on the proposed distribution of employee remuneration and other information adopted by the Board of Directors:
Approved by the Board of Directors meeting on March 16, 2023, the suggested distribution for employee remuneration in 2022 (no less than 1%) is $28,000,000 and $18,500,000 for the director remuneration (no more than 3), all payable in cash. No difference from the amount to be recognized in 2022.

4、 Actual distribution of remuneration of employees and directors in the previous year:

(1) The actual amount of employee and director's remuneration distributed in the previous year :
Actual distributions for 2021 were NT$12,000,000 for employee remuneration and NT$5,200,000 for director remuneration.

(2) If there is any difference between the actual amount of remuneration to employees and directors in the previous year and the estimated amount of expenses to be recognized, the amount of the difference, the reasons for the difference and the circumstances under which the difference was handled should be disclosed: No difference.

(9) The Company buys back shares in the Company in the following circumstances.

2023/3/31

| Buyback issue | 1st | 2nd | 3rd |
|---|---|---|---|
| Purpose of buy-back | Protect the company's credit and shareholders ' rights | Transfer of shares to employees | Protect the company's credit and shareholders ' rights |
| Buyback Period | 2008/7/10 ~ 2008/9/8 | 2008/10/22~2008/12/19 | 2011/9/13 ~ 2011/10/14 |
| Buyback interval price | Unit price per share NT$11 to NT$25 | Unit price per share NT$8 to NT$18 | Unit price per share NT$8.75 to NT$20.76 |
| Type and number of shares bought back | CSTO/ 6,103,000 shares | CSTO / 3,300,000 shares | CSTO / 1,487,000 shares |
| Amount of shares bought back | NT$ 95,865,633 | NT$ 34,476,022 | NT$ 18,820,541 |
| Number of shares cancelled and transferred | Approved by the Ministry of Economic Affairs on December 22, 2008, application for cancellation of registration of change of treasury shares 6,103,000 shares | Approved by the Ministry of Economic Affairs on 04/01/2012, the application for cancellation of the registration of change of treasury shares 3,300,000 shares | Approved by the Ministry of Economic Affairs on 04 January 2012, application for cancellation of registration of change of treasury shares 1,487,000 shares |
| Number of shares of the Company held cumulatively | - | - | - |
| Number of shares of the Company held cumulatively as a percentage of the total number of shares in issue (%) | - | - | - |

2023/3/31

| Buyback issue | 4th | 5th |
|---|---|---|
| Purpose of buy-back | Protect the company's credit and shareholders ' rights | Protect the company's credit and shareholders ' rights |
| Buyback Period | 2012/6/4 ~ 2012/8/3 | 2012/11/19 ~ 2013/01/18 |
| Buyback interval price | Unit price per share NT$8.50 to NT$16 | Unit price per share NT$8.50 to NT$14 |
| Type and number of shares bought back | CSTO / 1,200,000 shares | CSTO/ 1,364,000 shares |
| Amount of shares bought back | NT$ 14,157,848 | NT$ 14,422,096 |
| Number of shares cancelled and transferred | Approved by the Ministry of Economic Affairs on October 3, 2012, application for cancellation of registration of change of treasury shares 1,200,000 shares | Approved by the Ministry of Economic Affairs on May 17, 2013, application for cancellation of registration of change of treasury shares 1,364,000 shares |
| Number of shares of the Company held cumulatively | - | - |
| Number of shares of the Company held cumulatively as a percentage of the total number of shares in issue (%) | - | - |

## 2.Handling of corporate bonds:

### (1) Ordinary corporate bonds.

<table>
<tr><td colspan="2">Types of corporate bonds</td><td>1st unsecured corporate bonds</td></tr>
<tr><td colspan="2">Issue Date</td><td>2004/6/25</td></tr>
<tr><td colspan="2">Denomination</td><td>100,000 per sheet</td></tr>
<tr><td colspan="2">Place of issuance and transaction</td><td>Not applicable</td></tr>
<tr><td colspan="2">Par Value (NT$)</td><td>The bonds were issued in full at par value.</td></tr>
<tr><td colspan="2">Total amount</td><td>NT$ 1,000,000,000</td></tr>
<tr><td colspan="2">Interest rate</td><td>Coupon rate 0 %</td></tr>
<tr><td colspan="2">Duration</td><td>5-year maturity date: 24 June 2009</td></tr>
<tr><td colspan="2">Assurance agency</td><td>Not applicable</td></tr>
<tr><td colspan="2">Trustee</td><td>Taipei Fubon Bank Trust Department</td></tr>
<tr><td colspan="2">Underwriter</td><td>None</td></tr>
<tr><td colspan="2">Attorney</td><td>Chang An Attorney J.A. Huang</td></tr>
<tr><td colspan="2">Accountant</td><td>Diwan & Company TSAI,CHING-TIEN、.WU , JIAN-YUAN</td></tr>
<tr><td colspan="2">Repayment method</td><td>Not applicable</td></tr>
<tr><td colspan="2">Outstanding principal amount</td><td>NT$ 0</td></tr>
<tr><td colspan="2">Terms of redemption or early repayment</td><td>(1) If the closing price of the Company's common stock on the TSE exceeds the then current conversion price of the Bonds by 50% or more for 30 consecutive business days from the day after the first month from the date of issuance of the Bonds to the 40th day prior to the expiration of the issuance period, all of the Bonds may be redeemed in cash within the next 30 business days at the redemption price calculated based on the redemption yield rate of the Bonds listed in (3).<br>(2) From the day after the first month of issuance to the 40th day before the expiration of the issuance period, if the outstanding balance of the Bonds is less than $100 million, the Bonds shall be redeemed in cash at the redemption price calculated based on the redemption yield of the Bonds listed in (3).<br>(3) The redemption rates are as follows.<br>1. From the day after the first month of the issue to the day after the second year of the issue, the bonds shall be redeemed at a yield rate of 1.00% per annum.<br>2. From the day after the second year of issue to the day after the third year of issue, the bonds shall bear a redemption yield rate of 1.25% per annum.<br>3. Redemption of this convertible bond at par value from the day after the third year of issuance until 40 days prior to the maturity of this convertible bond.</td></tr>
<tr><td colspan="2">Restrictions</td><td>None</td></tr>
<tr><td colspan="2">Credit rating agency, date of assessment and corporate bond assessment results</td><td>None</td></tr>
<tr><td rowspan="2">Other rights</td><td>Amount of converted (exchanged or warrants) ordinary shares, overseas depositary receipts or other securities as of the date of publication of the Annual Report</td><td>Due for redemption</td></tr>
<tr><td>Issuance and conversion (exchange or share option) method</td><td>Creditors convert ordinary shares by way of book transfer or to the Company’s share agency at the conversion price.</td></tr>
<tr><td colspan="2">The method of issuance and conversion, exchange or share option, the possible dilution of shareholdings by the terms of issue and the effect on the interests of existing shareholders.</td><td>Not applicable</td></tr>
<tr><td colspan="2">Custodian of the subject after conversion</td><td>None</td></tr>
</table>

(2) Information about the convertible corporate bond:

<table>
<tr><td colspan="2">Types of corporate bonds</td><td colspan="2">First domestic unsecured convertible corporate bond</td></tr>
<tr><td colspan="2">Year<br>Item</td><td>2009</td><td>Current year as of 20 April 2010</td></tr>
<tr><td rowspan="3">Market value of convertible bonds</td><td>Max</td><td>101.00</td><td rowspan="7">Expired on 24 June 2009 and fully redeemed</td></tr>
<tr><td>Min</td><td>94.10</td></tr>
<tr><td>Avg</td><td>99.14</td></tr>
<tr><td colspan="2">Conversion price</td><td>20.15</td></tr>
<tr><td colspan="2">Issuing (processing) date and the conversion price at the time of issuance</td><td>Issued on June 25, 2004 / Conversion price at issuance NT$33.50</td></tr>
<tr><td colspan="2">Conversion method</td><td>Delivery of new shares upon conversion of the issue, with the same rights and obligations as ordinary shares</td></tr>
</table>

(3) Exchange of corporate bond information: Not applicable

(4) Omnibus reporting of issuance of corporate bonds: Not applicable

(5) Information on corporate bonds with warrants: Not applicable

3.Special shares:

<table>
<tr><td colspan="2">Item\Issuance Date</td><td>August 10, 2021<br>TYC Preferred Share A</td></tr>
<tr><td colspan="2">Denomination</td><td>NT$10</td></tr>
<tr><td colspan="2">Issuance Price</td><td>NT$50 per share</td></tr>
<tr><td colspan="2">Number of shares</td><td>Total number of shares: 30,000 thousand shares</td></tr>
<tr><td colspan="2">Total amount</td><td>NT$1,500,000 thousand dollars</td></tr>
<tr><td>Rights and Obligations</td><td>Dividends and bonuses distribution</td><td>(1) The dividend yield of the preferred share A is 4% (annual rate), (record date: June 16, 2021, 5-year interest rate swap (IRS) rate, 0.64275% + fixed rate, 3.35725%) and calculated at the issue price per share. The five-year IRS rate will be reset on the next business day five years after the issue date and every five years thereafter. The record date of the reset is two business days of financial institutions in Taipei prior to the reset date. The five-year IRS rate is the arithmetic mean of the offer prices of Reuter's TAIFXIRS and COSMOS3 at 11 a.m. on the record date of the reset (business day of financial institutions in Taipei). If the aforesaid offer prices are unavailable on the record date of the reset, the five-year IRS rate shall be determined by the Company based on the principle of good faith and reasonable market conditions<br>(2) Dividends distribution: The preferred share dividends are fully distributed in cash every year. After the financial statements are adopted in an annual general meeting, the Board of Directors shall authorize the chairman to set the record date for paying the preferred share dividends of the previous year. The number of dividends issued in the year of issue and in the year of redemption is calculated based on the actual number of days of issue in the current year.<br>(3) The Company shall apply the current year's earnings, if any, to pay for taxes as stipulated by laws and regulations, offset accumulated losses of previous years, and allocate 10% as legal reserve pursuant</td></tr>
</table>

| Item\Issuance Date | | August 10, 2021<br>TYC Preferred Share A |
|---|---|---|
| | | to laws and regulations. Special reserve shall be set aside or reversed from net shareholder's equity reduction in current or accumulative in prior years in accordance with related regulations. The remaining earnings along with the accumulated unappropriated earnings in prior years as shareholder bonus, and shall be appropriated as preferred share dividends in accordance with the Article 7-1, Articles of Incorporation.<br>(4) The Company has discretion over the distribution of preferred stock dividends. If the Company does not generate any or sufficient profits during the year for the distribution of preferred stock dividends, it may resolve not to pay out the dividends and preferred stockholders have no rights to object. The Board of Directors shall propose a surplus earnings distribution in accordance with Article 32-1, Articles of Incorporation to be adopted by the annual general meeting. After the surplus earnings distribution is adopted, the distributable amount of preferred share and common shares shall be distributed to preferred shares first.<br>(5) The preferred shares A issued are non-cumulative; that is, the undistributed dividends or shortages in dividends distributed shall not be accumulated and paid in subsequent years when profits are generated.<br>(6) The preferred shareholders A are not entitled to common shares' cash or share dividends derived from earnings or capital reserve. |
| | Distribution of remaining assets | Preferred shareholders A have a higher claim to the Company's residual properties than common stockholders. Different types of preferred shares issued by the Company grant holders the same rights to claims, and preferred shareholders stay subordinate to general creditors. The amount preferred shareholders are entitled to is capped at the product of number of outstanding preferred shares at the time of distribution and issuance price. |
| | Execution of voting rights | Preferred shareholders A have neither voting nor election rights. However, they may be elected as Directors. They have voting rights in preferred shareholders' meetings or with<br>respect to agendas associated with the rights and obligations of preferred shareholders in shareholders' meetings |
| | Others | (1) For cash offering of new shares, the preferred shareholders have the same preemptive rights as the common shareholders.<br>(2) Capital reserve issued at preferred share A premium shall not be used as capital during the issuance of the preferred share. |
| Outstanding Preferred Shares | Amount of preferred shares redeemed or converted | NT$0 |
| | Balance of preferred shares redeemed or converted | NT$1,500,000,000 |

<table>
<tr><td colspan="2">Item\Issuance Date</td><td colspan="3">August 10, 2021<br>TYC Preferred Share A</td></tr>
<tr><td></td><td>Redemption or conversion terms</td><td colspan="3">(1) Conversion to common share: Preferred share A cannot be converted into common share.<br>(2) Expiration date: The Company’s preferred share A does not have an expiration date. Preferred shareholders A may not ask the Company to redeem their preferred shares. The Company may, at any time from the next day of the five-year expiration of the issue, redeem all or part of the preferred stocks based on the original issue price. Unredeemed preferred shares shall continue to be subject to the rights and obligations of the aforesaid issuance terms. If the Company decided to distribute dividend, it shall be calculated according to the actual issuance days of the current year.</td></tr>
<tr><td rowspan="6">Market Price per Share</td><td colspan="2" rowspan="3">2022</td><td>Highest</td><td>45.20</td></tr>
<tr><td>Lowest</td><td>43.00</td></tr>
<tr><td>Average</td><td>44.26</td></tr>
<tr><td colspan="2" rowspan="3">Current year as of March 31</td><td>Highest</td><td>45.40</td></tr>
<tr><td>Lowest</td><td>43.80</td></tr>
<tr><td>Average</td><td>44.65</td></tr>
<tr><td rowspan="2">Other Rights Attached</td><td>Amount of stock conversion or subscription as of the publication date of the Annual Report</td><td colspan="3">Preferred share A cannot be converted into common share.</td></tr>
<tr><td>Issuance and conversion or subscription regulations</td><td colspan="3">None</td></tr>
<tr><td colspan="2">Impact of conditions of issuance on the rights and interests of preferred shareholders and possible dilution of shareholders' equity and impact on existing shareholders' equity</td><td colspan="3">None</td></tr>
</table>

4.Data of preferred shares with warrants: Not applicable

5.Overseas Depositary Receipts: Not applicable

6.Employee stock option certificate application situation: Not applicable

7.Matters to be recorded in the case of M & A or transfer of shares of other companies to issue new shares: Not applicable

8.Implementation of the fund use plan: The Company does not issue or privately places securities; therefore, it is not applicable.

# V.Operations Profile

## 1.Business Content

(1) Business Scope

1. Main Content:

(a)Manufacture, processing and sales of automobile and motorcycle parts (lighting equipment, engines, body parts, lights, horns, electronics, transceivers, cigarette lighters, mirrors, trim, wheel covers, door handles, door locks, starter switches, dashboards, rearview mirrors, and car detectors).

(b) Manufacturing, processing and sales of aircraft parts and marine parts.

(c) Manufacturing, processing and sales of transportation machinery and parts.

(d)Manufacture, processing, and sales of transportation machinery and its spare parts, including AC and DC air compressors, vacuum cleaners, waxers, oil pumps, and maintenance equipment.

(e) Manufacturing and sales of plastic injection molded products (vacuum cleaner, waxer, air compressor, and other plastic parts and automotive parts).

(f) The above items are related to the import and export trading business.

(g) We are the agent of domestic and foreign manufacturers for the quotation, tender and distribution of the above products.

(h) Except for the permitted business, the business that is not prohibited or restricted by law may be carried on.

2. The company's current product, business proportion:

| Product | Operating share (2022) |
|---|---|
| Automotive | 87.25 % |
| Motorcycles | 5.32 % |
| Other | 7.43 % |

3. Planned development of new products (services)

(a) 100 pixel ADB headlamp.

(b) Dynamic visual smart taillight development.

(c) High resolution optical lens development.

(2) Industry overview:

1. Current status and development of the industry.:

(a) Current status:

According to the Taiwan Vehicle Industry Association, the total output value of Taiwan's vehicle industry continues to grow, reaching $663.7 billion in 2014, the highest in history. From January to September 2022, it amounted to NT$560.9 billion, accounting for 4.30% of Taiwan's total manufacturing output and up by 7.22%, making it an extremely important industry in Taiwan.

| | |
|---|---|
| Automotive industry: | The record high of $230.9 billion in 2005 was followed by a down of 3.15% to $138.7 billion in January-September 2022. |
| Motorcycle industry: | Peak of $63.5 billion in 2020, $38.7 billion in January-September 2022, down 6.90%. |
| Bicycle industry: | 2021 to reach a record high of $63.4 billion, January-September 2022 to $63.4 billion, up 23.20%. |
| Auto parts industry: | Reached a record high of $234.2 billion in 2015, up 5.42% to $176.3 billion in Jan-Sep 2022. |
| Motorcycle parts industry: | Peak of $56.1 billion in 2021, $44 billion in Jan-Sep 2021, up 4.41%. |
| Bicycle parts industry: | 2021 to reach a new record high of $107.7 billion, January-September 2022 to $99.9 billion, up 28.76%. |

Taiwan's auto parts industry has the advantage of small quantity and flexible manufacturing, and has become internationally competitive after continuous investment in R&D and upgrading of production technology.

In recent years, although the domestic market for complete vehicles has been fluctuating, the amount of export sales of auto parts has continued to expand every year after accumulating competitive strength. In 2021, the amount grew by approximately 14.58% to reach a record high of NT$220.8 billion, and in 2021, due to the impact of COVID-19 worldwide, the amount from January to September 2022 was NT$187.1 billion, an increase of 15.17%.

Taiwan Auto Parts Export Value Statistics

Unit: NT$ billion

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022/1-9 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Amount | 1,713 | 1,848 | 1,948 | 1,979 | 2,077 | 2,145 | 2,113 | 2,149 | 2,147 | 2,148 | 1,927 | 2,208 | 1,871 |
| Growth rate | 22.62% | 7.88% | 5.41% | 1.60% | 4.96% | 3.26% | -1.47% | 1.70% | -0.11% | 0.02% | -10.26% | 14.58% | 15.17% |

Source: Import and export statistics, compiled by Taiwan Vehicle Industry Association.

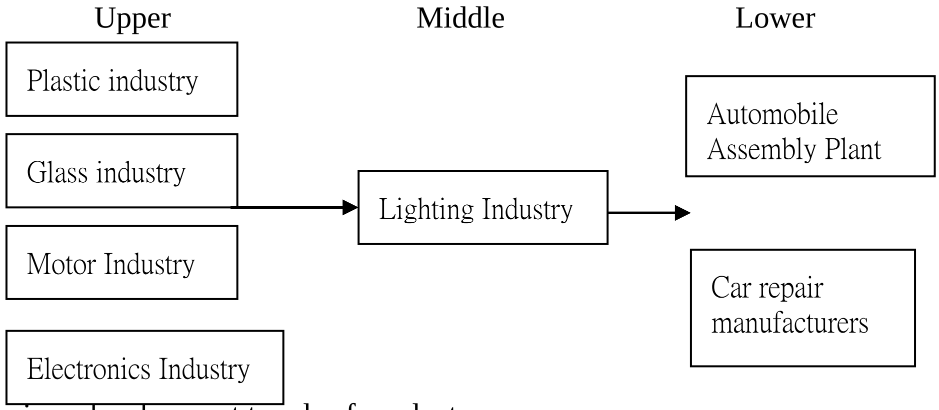
(b) The future development trend of the industry:

In terms of new products, Taiwan SMEs have the best stage to innovate flexibly, especially related to car safety concept products combined with electronic technology, such as: MiniCCD color camera, anti-glare autodimmingrear viewmirror, wireless tire pressure monitoring systems, rain sensor, satellite navigation, etc. In addition, a variety of audio and video equipment for cars attract many buyers and so there are also innovative products launched, such as: combined with TFT LCD screen and DVD/VDC/CD/MP3/TV +AM/FM function audio and video equipment.

In summary, automotive electronics is the fastest growing project in the automotive industry. The strength of Taiwan's information electronics industry will be one of the thrusts of Taiwan's auto parts industry transformation in the future. According to Strategy Analysis estimates, the automotive electronics market related to driving information has a compound annual growth rate of about 7%, the automotive electronics market related to chassis systems has a compound annual growth rate of 8%, and the safety systems related to automotive electronics products have a compound annual growth rate of up to 14%.

The future technology and trend of the vehicle industry still lies in the development of oil-electric/electric vehicles. Taiwan already has the capability of independent research and development of key components for electric vehicles.

2. The relevance of the industry in the upper, middle and lower reaches:




3. Various development trends of products:

With the booming development of LED light source technology, new-style car taillights, including driving lights, brake lights, almost all LED lights emerge, mainly because LED has the advantages of power saving and shape flexibility, so that the taillight power consumption is reduced from 27W down to 5W or less. Also because of the different arrangements that can be done with LED, a variety of designs for car lights can be done unlike the traditional ones.

High-power LED luminous efficiency continues to improve and thermal resistance continues to decrease, but also provides the opportunity to use LED lighting as a light source, including LED direction lights, LED daytime running lights, LED front fog lights, LED near and far lights and so on. In 2010, the company also has the first near-lamp with diurnal lamp function LED headlamp output. Not only is it another important breakthrough in technical capabilities, but also different from Taiwan aftermarket (AM) competitors, and with the higher layer, it is bound to bring higher market profit opportunities for the company. In 2013, the full-featured LED headlights with natural heat dissipation, higher reliability and more energy-saving effect, have been approved and adopted by Ducati heavy locomotives, a subsidiary of the Audi car family!

In addition, committed to the evolution of optical design and light source, and in order to increase the safety of driving and adapt to a variety of driving conditions with automatic steering, automatic adjustment of the light type by the adaptive lighting system (AFS) has gradually become the focus of research and development of each lamp factory. The company completed the mass production of AFS headlights in 2012, using the latest technology, actively detecting the condition of the car, after MUC calculation, and then sending the signal to the lights, a real-time response to compensate for the lighting area and improve driving safety. In response to market competition and customer demand, the company actively invested in technology research and development of full-featured LED headlights, and in 2016 successfully mass-produced these lights to supply European car manufacturers.

4. Competitive Situation:

(a) R & D Modified Car Lights (PM):

As the company has superior design ability and quality than competitors in the industry, the product acceptance in the market is higher than other competitors. The company still persists in improving its product design ability and product refinement, in order to enhance the company's brand value, to stay a step ahead of competition.

(b) General Aftermarket (AM).

TYC's products in the aftermarket focus on quality, delivery and service, and have not only passed many regulatory requirements (SAE, ECE, ADR, JIS, GB, CAPA, CCC, IRAM, SABS certification), but in order to stay ahead of its competitors and shorten the development time, we have not only used PDM/PLM systems, but have also actively set up a test mold center and mold factory exclusive to the R&D department in order to develop and market new products earlier.

(c) OEM market:

OEM lamps usually require a higher level in design technology, the company in addition to the existing optical foundation, is actively engaged in the LED, PES, AFS, ADB and other aspects, seeking technological breakthroughs, and improving the development process. It has obtained factory certification and a number of product patents, synchronous design and development, and through cooperation with LED light source technology manufacturers, TYC can be more competitive in the market.

(3) Technology and R & D Overview:

1. R & D expenses invested for the year ended in the date of publication of the annual report:

Unit:NT$1,000

| Item \ Year | 2022 | Current year as at 31 March 2023 |
|---|---|---|
| R&D costs | 375,587 | 88,201 |
| Operation revenue | 19,207,226 | 4,709,936 |

2. R & D expenses invested for the year ended the date of publication of the annual report:

(a) LED Asymmetry bending lense light

(b) 24 PIXEL ADB headlamp design

(c) LED multiple perspectives optical design

3. Future Annual Research Development Plan.

Due to rapid growth in electronic vehicles and investment of relevant electronics industry in automobile industry, the development of the automobile electronics is growing rapidly. The research and development of automatic driving technology is the key products of major car manufacturers. Therefore, the electronic and intelligentized of the component is the development key for each component manufacturer, the same as the previous development of high-end LED lights from the matrix LED intelligent turn lighting technology can no longer meet the next generation of automatic driving level 3 and above need to communicate and communicate with pedestrians and cyclists on the road, the future intelligent lights will be towards the development of high-resolution lighting technology (such as DMD, uAFS and other technologies) to achieve the recording and communication between vehicles via internet, or the use of new lighting technology combined with ADAS to achieve automatic driving functions. From technical perspective, there are many technologies in adaptive driving beam headlamp in smart headlamp. Currently, the main stream design is matrix with 12~100 LEDs, which individually controls high performance LED to expand driver's night vision for better reaction time for the driver on obstacle ahead, as well as better road lighting. Meanwhile, non-glare high beam light can also reduce the discomfort from the car in front, oncoming car, and pedestrian due to headlamp irradiation.

With the improved regulations on adaptive driving beam headlamp in various countries and the introduction of Micro LED pixel-array to largely increase the pixel to 10,000~30,000 by individual digital control, it can flexiblely adjust irradiation area to increase driving safety and satisify the regulation needs in this market. It helps to reduce development, production, and logistic cost of headlamp in different regional markets for the headmalp manufacturer.

Intelligent lights for lamps and lanterns are used in the sensing, car news, car networking related technology lights. ADB LED headlamp technology for intelligent lights, has been the mainstream of the current advanced lamp design. In the high-power LED brightness continues to improve, the key for future research would be high pixel light source for the LED manufacturer. ADB LED headlamp technology must be more sophisticated technology, miniaturization, modular lamp design is the focus of future research. TYC has invested considerable resources in LED precision headlight technology, precise high resolution thick lens and TIR light guide technology. It has actively invested in the research of a key, thick lens and TIR light guide and other key optical components of a light design, optical design, heat dissipation design, materials, LED, simulation analysis, mold design and development, production technology, etc.. Optical design which will increase the visual simulation function can increase the advantages of the development of light guide components. With the increase of LED brightness, the headlamp lens is also designed to be smaller and multi-part, so the mold technology needs to use more precise processing technology, and also invested in ultra-precision NC processing machine, which can make the product more in line with the design.

LED lights electronic design from LED driver circuit design, has entered the electronic digital and communication function design, the lights are no longer simply lighting car parts, but one of the electronic functional parts of the car, TYC also actively invested in automobile communication technology capability development in recent years, has successfully established relevant technology capability and developed a number of successful products. LED lights in the related electronic system functions more and more, and the lights connected to the function has been increasing, so the lights control method needs to be connected with other systems, most use CAN BUS connection to speed up the operation of each system to increase driving safety. From headlamp driven electronic design, TYC has also invested in research and development in the driving Headlamp Control Module (HCM) between headlamp and vehicle, and develop the technology from headlamp to headlamp system.

In response to the demand in automobile market, the key development in the headlamp industry is to increase driving safety by smart headlamp. TYC also invested in various advanced headlamps, including more advance technology in high resolution projecting headlamp in optics design, mold processing, and electronic technology than previous LED lighting to meet the overall market demand.

(4) Long and short-term business development plan:

1. Short term plan:

(a) In order to expand the largest AM market in North America, we have invested capital and manpower to obtain CAPA certification. As of 2022, 1,950 lamps have been certified by CAPA, and it is estimated that by 2023, more than 2,030 lamps will have been certified. Now we continue to invest all resources to obtain CAPA certification to increase sales in insurance market and increase product certification to 1,869 in 2021. It is estimated that by 2022, more than 1,950 lamps will have been certified.

(b) Headlamp related optic and mechanism patents, about 290 patents, are the fundamental niche of the company in the competitive world.

(c) The company has added new product lines and expanded TYC brand products such as mirrors, condensers, fans, water tanks, blowers, lifts, air filters, chassis parts, electrical products, and new product groups such as automotive electronics, and is actively seeking strategic alliances with high quality and competitive domestic and foreign manufacturers to strengthen its competitiveness in the market. It provides an ONE STOP SHOP for customers from 130 countries to increase customer’s loyalty and dependency of TYC.

(d) We are actively developing OEM markets, strengthening quality and enhancing relationships with international car manufacturers.

2. Long-term Plan:

(1) Establish global distribution system and expand distribution network.

(2) To grasp the local market in China and expand the scale of the company's operations.

(3) To build up the production and supply capacity of the ASEAN.

(4) Actively strive for customer development in electronic car/new and innovative automobile manufacturer, mostly in Europe and American markets.

2. Market and Production Overview.:

(1) Market Analysis:

1. Major product sales regions

The Company's main sales regions are mainly overseas, with foreign sales comprising 94.62% and 93.29% of sales in 2022 and 2021 respectively. The high proportion of foreign sales is mainly due to the limited appetite of the domestic automobile market, and in recent years, apart from the continuous AM market expansion, the Company has also devoted itself to the development of other markets.

In addition, due to the larger market size in Europe and the United States, the quality requirements of the products are higher, and they must pass the quality test of SAE (American Society of Automotive Engineers) in the United States and obtain the quality certification of ECE (European Economic Commission) in Europe before they can be sold to Europe and the United States respectively. Sales to the U.S. amounted to NT$9,919,044 in 2022, representing 51.64% of total net sales, and sales to the Netherlands amounted to NT$2,298,354 in 2022, representing 11.97% of total net sales, with a total of NT$12,217,398 in sales to the U.S. and the Netherlands.

Sales of major products in the past two years

Units: NT$1000.%

| Sales target and area | | 2021 | | 2022 | |
|---|---|---|---|---|---|
| | | Amount | Ratio | Amount | Ratio |
| Domestic Sales | | 1,112,259 | 6.71% | 1,033,258 | 5.38% |
| Export sales | China | 403,521 | 2.43% | 189,899 | 0.90% |
| | Netherlands | 2,261,440 | 13.64% | 2,298,354 | 11.97% |
| | USA | 7,699,221 | 46.45% | 9,919,044 | 51.64% |
| | Other countries | 5,100,174 | 30.77% | 5,766,671 | 30.02% |
| | Subtotal | 15,464,356 | 93.29% | 18,173,968 | 94.62% |
| Total | | 16,576,615 | 100.00% | 19,207,226 | 100.00% |

2. Future market supply and demand conditions

(a) Demand in the refurbishment market is currently unsaturated, as it is in the introduction stage.

(b) The results of our cultivating the European locations, the increase in orders and the expansion of our sales channels have led to an increase in market share.

(c) In order to meet the new sales strategy, the company continues to strengthen the establishment and implementation of the quality assurance system, and has passed the ISO9002 certification in 1993, which has reached the internationally recognized quality standard. In order to continuously improve quality, the company began to implement the Quality System Standard (QS9000) of the Big Three in the United States in 1996 and was certified in December 1998. The company passed ISO14001 certification in July 2002, TS-16949 certification in October 2003, CAPA Certificate of Conformity in September 2005, and the Top 20 Excellent Brands in Taiwan. In March 2006, we obtained the Q1 Quality Award certificate; in February 2007, we obtained CCC certification in China; in October 2007, we obtained IRAM certification in Argentina; in February 2010, we obtained SABS certification in South Africa; in December of the same year, we obtained OHSAS18001, TOSNMS certification and AEO quality enterprise; in July 2012, we obtained CZ certification in Europe; in September, we passed the APCP factory evaluation by NSF certification agency, and in October, the first group of lamps passed the certification and we became the qualified supplier of NSF-APCP. In 2014, we were awarded one of the most valuable brands in the top 35 of the Global Best Brands (Taiwan Region) by Interbrand; in April 2018, the ISO/TS 16949 quality management system certification was successfully changed to IATF 16949; in July, we passed the ISO 26262 functional safety management system certification by Rheinland; The recognition of new technology includes two awards of the 19th Taiwan Excellence Award (LED headlamp with DRL and delicate patio light), the 20th Taiwan Excellence Award (AFS intelligent steering headlamp), and three awards of the 21st Taiwan Excellence Award (full LED tail lamp, LED light guide bar motorcycle headlamp, and sailboat LED street lamp), the 22nd Taiwan Excellence Award for LED DRL Guide Bar Headlamp, the 23rd Excellence Award for two products (Transformers Full LED Motorcycle Headlamp, Energy Saving Street Lamp-Ruyi), the 24th Excellence Award for 3D Full LED Depth of Field Tail Lamp, and the 25th Excellence Award for three products (5-in-1 Full Function Bus Headlamp, Full LED Cruiser Heavy Motorcycle Headlamp, Full LED Hawkeye Motorcycle Headlamp), the 27th Silver Award and Award of Excellence for Full Function LED Motorcycle Tail Light, the 28th Award of Excellence for two products (Innovative Thin Full LED Motorcycle Tail Light, Vertical Side Light Emitting Motorcycle Directional Light), and the 29th Award of Excellence for two products (Innovative Full Function LED Motorcycle Head Light, T Type, and Innovative Full Function LED Motorcycle Head Light, V Type), and Awarded the 30th Taiwan Excellence Award (Full LED Motorcycle Headlamp). These show that our company not only strives to improve our technology and product quality competitiveness year after year, but also speeds up the local customs clearance for foreign customers, making our company rise to the level of a world class manufacturer.

(d) With the rising awareness on environmental protection, the Company has been actively strengthening its management system, and received the Carbon Reduction Action Award from the Environmental Protection Administration of the Executive Yuan at the end of 2015.

(e) In response to the development needs of the vast market in Mainland China, the company actively engages in the mainland marketing planning. It set up a lamp factory and mold factory in Changzhou, China, and set up Kunshan TYC Energy-saving Lighting Technology Co., Ltd. to produce automotive lights. In addition, through the design team owned by the company, we conducted lamp modeling modification design to meet the needs of major automakers and to actively expand the Mainland domestic demand market, hoping to master the sales network.

(f) In order to strengthen the supply chain in Southeast Asia, we not only produce automotive lights in Thailand, but also produce OEM lights for motorcycles in Vietnam through a joint venture. 109 years ago, our Thailand plant was awarded the honor of "2019 Honorary Manufacturer" by GM, demonstrating our ability to produce OEM quality.

3. Advantages and disadvantages of the development vision

(a) Advantages:

A. The improvement of the light distribution technology of vehicle lights and the compliance of the products with regulations and market demands have improved product quality, shortened delivery time and reduced costs, which have helped to expand sales.

B. The conversion of the information trade system was completed and the international network communication capacity was enhanced.

C. The company has a good brand image in the automotive lighting market, the best quality and technology in the industry, a long history, and a wide sales coverage, which contributes to the growth of business.

D. We emphasize the importance of teamwork, customer-oriented awareness and good centripetal force.

E. Our global production sites have been integrated to achieve significant cost reduction and internationalization.

F. The recession has reduced the demand for new vehicles, but the relative increase in usage of older vehicles has had a consequent impact on the demand for refurbished products.

G. International and corporate companies are strengthening their overseas sourcing through global division of labor, with Taiwan parts and components being one of the key sources.

(b) Disadvantages:

A. The price competition among global lamp contractors is fierce, affecting the selling price and profitability.

B. The wide range of changes in exchange rates affects the accuracy of the Company's forecasts of results and profitability.

C. The rapid development of automotive parts in mainland China has strongly carved out part of the market, while Japanese automakers have shifted their main focus to the Asia-Pacific region because of the aggressive stance of Mainland China. With the lifting of COVID-19 restrictions, the suppliers are ready to take on market without 3$^{rd}$ party certification with low price.

D. Emerging countries such as Mainland China, India and Eastern Europe have a low cost advantage.

E. In response to environmental requirements, the selection of materials and testing has become more stringent and development costs have risen.

F. The technical threshold of the lamp products is getting higher and higher.

G. COVID-19 outbreak impacts in early 2020, city closures and unsealing times in various countries affect economic activity; will continue to impact through 2021

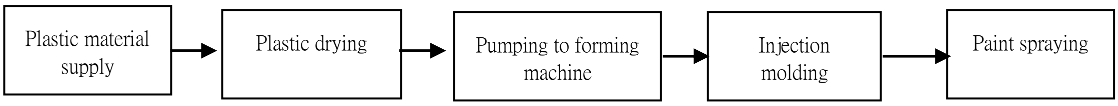
H. The high cost of outbound sea freight, the lack of space on ships and the accumulation of containers in major ports in Europe and the United States have resulted in a lack of empty containers and increased end market customer's cost of sales.

(2) Important applications and production processes of the main products.

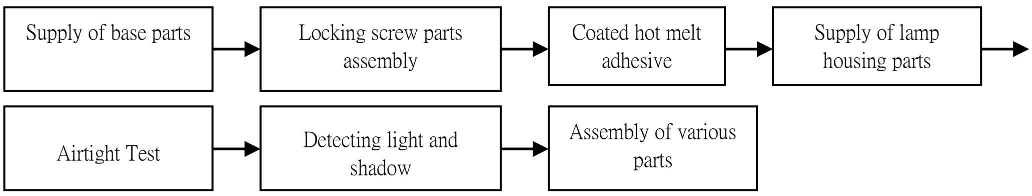
1. Main products' important applications: Our main products are used in various brands of motorcycle lighting.

2. Main product production process:

(1) Injection molding manufacturing process:




(2) Component assembly manufacturing process.




(3) Supply status of main raw materials

| Name of raw material | Supply situation |
|---|---|
| Base, lamp housing | Good |
| Hardware and iron parts | Good |
| Rubber Parts Housing | Good |
| Wire group | Good |
| Light bulb | Good |
| Glass lamp housing | Good |
| Plastics, BMC materials | Good |
| Paper box packaging | Good |

The main raw materials for our motorcycle lights are lamp housings, lamp bulbs and plastic materials, which are mostly supplied by well-known domestic manufacturers, with only a few imported by ourselves. Since we have a wide range of customers and have maintained good cooperative relationships with major suppliers, the quality of the raw materials supplied is stable and the source of raw material supply should be safe.

(4) Name of customer who has accounted for more than 10% of the total amount of goods imported (sold) in any of the past two years:

1. Key supplier information for the past two years:

Unit:NT$1,000；%

| | 2021 | | | | 2022 | | | | FY 2023 as at 31 March | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | Name | Amount | Percentage of net purchases for the year | The relationship with the issuer | Name | Amount | Percentage of net purchases for the year | The relationship with the issuer | Name | Amount | Percentage of net purchases for the year | The relationship with the issuer |
| 1 | A company | 919,027 | 9.00% | Non-related person | A company | 860,107 | 8.64% | Non-related person | A company | 203,932 | 9.25% | Non-related person |
| 2 | Others | 9,296,102 | 91.00% | None | Others | 9,098,624 | 91.36% | None | Others | 2,000,750 | 90.75% | None |
| | Net Purchase | 10,215,129 | 100.00% | | Net Purchase | 9,958,731 | 100.00% | | Net Purchase | 2,204,682 | 100.00% | |

Explanation of changes: None of the major suppliers accounted for more than 10% of total purchases in the last two years, so it is not applicable.

2. Key sales customer information for the past two years:

Unit:NT$1,000；%

| | 2021 | | | | 2022 | | | | FY 2023 as at 31 March | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | Name | Amount | Percentage of net purchases for the year | The relationship with the issuer | Name | Amount | Percentage of net purchases for the year | The relationship with the issuer | Name | Amount | Percentage of net purchases for the year | The relationship with the issuer |
| 1 | A company | 1,722,790 | 10.39% | Non-related person | A company | 2,574,866 | 13.41% | Non-related person | A company | 765,105 | 16.24% | Non-related person |
| 2 | Others | 14,853,825 | 89.61% | None | Others | 16,632,360 | 86.59% | None | Others | 3,944,831 | 83.76% | None |
| | Net Purchase | 16,576,615 | 100.00% | - | Net Purchase | 19,207,226 | 100.00% | - | Net Purchase | 4,709,936 | 100.00% | - |

Note on changes. :

(1) Turnover for FY2022 was NT$19,207,226,000 an increase from FY2021 turnover of NT$16,576,615,000 due to major sales area – USA sales increased.

(5) Table of production values for the past two years

Unit: pcs; NT$1000

| Year / Production value / Main products | 2021 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Capacity | Volume | Output value | Capacity | Volume | Output value |
| Car lights | 31,000,000 | 22,394,862 | 16,587,223 | 31,000,000 | 25,421,765 | 16,763,058 |
| Motorcycle light | 3,000,000 | 2,325,563 | 1,023,856 | 3,000,000 | 2,237,157 | 1,002,459 |
| Other categories | 45,000,000 | 22,076,050 | 859,866 | 45,000,000 | 9,685,148 | 798,134 |
| Total | 79,000,000 | 46,796,475 | 18,470,944 | 79,000,000 | 37,344,070 | 18,563,651 |

(6) Table of sales values for the past two years

Unit: pcs; NT$1000

| Year / Sales value / Main products | 2021 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Domestic Sales | | Export sales | | Domestic Sales | | Export sales | |
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Car lights | 395,967 | 539,863 | 20,096,753 | 13,923,098 | 587,397 | 535,739 | 25,336,760 | 16,789,502 |
| Motorcycle light | 1,211,806 | 404,011 | 533,239 | 477,916 | 1,181,577 | 359,559 | 438,034 | 451,128 |
| Other categories | 2,162,802 | 168,385 | 31,615,079 | 1,063,342 | 490,520 | 137,960 | 20,166,099 | 933,338 |
| Total | 3,770,575 | 1,112,259 | 52,245,071 | 15,464,356 | 2,259,494 | 1,033,258 | 45,940,893 | 18,173,968 |

3.Number of employees, average years of service, average age and education distribution ratio in the past two years:

2023/3/31

| Year | | 2021 | 2022 | Current year as of March 31 |
|---|---|---|---|---|
| No. of employees | Sales staff | 241 | 241 | 242 |
| | Management staff | 895 | 910 | 895 |
| | Factory staff | 1,619 | 1,645 | 1,671 |
| | Total | 2,755 | 2,796 | 2,808 |
| Average age | | 38.63 | 40.35 | 40.93 |
| Average years of service | | 8.89 | 10.05 | 9.98 |
| Education distribution ratio | Ph. D. | 0 | 1 | 1 |
| | M.D. | 133 | 151 | 156 |
| | College | 1,358 | 1,387 | 1,400 |
| | High School | 996 | 951 | 933 |
| | Below high school | 268 | 306 | 318 |

4.Environmental Expenditure Information.

(1) We produce products without creating pollution. The discharge of runoff water is treated by the industrial area sewage treatment plant to be environmental friendly and avoid environmental pollution.

(2) The company invested in environmental protection expense. The expense for hardware equipment, air pollution, and waste management (general waste) in 2022 was NT$31,143,318 in total.

Unit:NTD

| Expense Category | Amount | Proportion (%) |
|---|---|---|
| Air pollution preventive cost | 7,687,292 | 21.3 |
| Water pollution preventive cost | 2,478,333 | 6.9 |
| Waste treatment (general waste) cost | 9,207,316 | 25.5 |
| Environmental system certification cost | 686,175 | 1.9 |
| Environmental hardware expense | 16,000,000 | 44.4 |
| Total | 36,059,116 | 100 |

(3) No environmental pollution has occurred in the past year.

(4) No loss or compensation has been suffered as a result of environmental pollution in the past year and up to the date of publication of the annual report.

(5) No significant environmental expenditure is planned for the next two years.

5.Labor relations:

Based on the business philosophy of "honesty, frugality, innovation, and breakthrough", our company became a leading manufacturer of "TYC" lamps through the combined honest, hard-working, frugal, and competitive work attitude of our outstanding employees.

As a result of the company's visionary leadership and decent management, and the sharing of profits with employees, the relationship between employers and employees is very harmonious, which not only makes the company strong, but also gives more and better protection to the rights of employees.

(1) The company's employee welfare measures, further education, training, retirement system and implementation, as well as the agreement between labor and management and the protection of employee rights and interests of the situation:

1.1. Employee welfare measures and implementation:

(1) All employees of the company participate in labor insurance, national health insurance and group insurance.

(2) Regular staff health checkups and health protection information dissemination.

(3) Food subsidies are provided to staff.

(4) Subsidized year-end dinner party meal and sponsored gifts.

(5) The establishment of a staff welfare committee which discussed the following matters:

A. Organize staff travel or issue travel subsidies.

B. Issued employees birthday gifts, three holiday gifts.

C. Year-end party, provide year-end party lottery prizes.

D. Funeral grants.

E. Wedding congratulatory gifts.

F. Maternity benefits.
G. Organize recreational activities.
H. Injury and illness hospitalization consolation money.
I. Funding for club activities.
J. Sign up for an appointed shop.

2. Implementation of Staff Development and Training:
   (1) According to the company's overall operational objectives and strategies, we train management and professional technical personnel, and assist new employees to quickly enter the situation and become competent in their work.
   (2) In order to implement the company's education and training goals, the company's education and training system is divided into internal training and external training. In 2022, a total of 457 internal training courses, 106 external training courses were conducted reaching a total education and training fee of NT$2,542,000.
   The relevant content is as follows:

| Internal and external training | Category of Functions | Total number of classes | Number of trainees | Total hours of classes | No. of persons licensed |
|---|---|---|---|---|---|
| Internal training | General ability training | 254 | 3,457 | 1,018 | 0 |
| | The core ability of training | 24 | 478 | 156 | 0 |
| | Job-specific training | 17 | 273 | 105 | 0 |
| | Professional ability training | 157 | 3,095 | 262 | 0 |
| | Management ability training | 5 | 135 | 37 | 0 |
| Subtotal | | 457 | 7,438 | 1,578 | 0 |
| External training | General ability training | 10 | 10 | 75 | 1 |
| | Job-specific training | 30 | 30 | 540 | 23 |
| | Professional ability training | 64 | 64 | 576 | 7 |
| | Management function training | 2 | 2 | 13 | 2 |
| Total | | 106 | 106 | 1,204 | 33 |

   (3) The company provides a safe, harmonious excellent working environment. OHSAS 18001 was introduced in 2010, and change to ISO/CNS 45001:2018 occupational safety and health management system in September 2020, which was revalidated in December 2022 with certification valid to December 5, 2025, in accordance with the requirements in the Occupational Safety and Health Management Regulations. It reviews the hazard in operations through regular risk identification and establishes risk control sequence, and further updating the policy, promoting personnel's awareness, strengthening preventive management, and substantially improving the execution. It also focuses on communication between labor and management, and implements health promotion. Regular training on employee safety and health are hold and regular inspecting on relevant equipment, so employees can build a cohesion on workplace safety and health and health issue and fully shape a comfortable, safe, and healthy sustainable working environment.

3. Employee Retirement System and Implementation:
   (1) The Company's employee retirement method under the "Labor Pension Ordinance". The Company has allocated 6% of the employee's salary per month to the personal pension account of the Labour Insurance Bureau in accordance with the employee retirement method established in the Ordinance.
   (2) Implementation situation: The amount of pension expenses allocated by the Company in 2022 and 2021 is NT$41,235,000 and NT$39,061,000 respectively.

(3) The employee pension scheme established by the Company in accordance with the "Labor Standards Act", the payment of the employee pension is calculated based on the length of service and the average salary of one month at the time of approval of retirement. Two bases are given for service years within 15 years (inclusive), and one base is given for each year of service for more than 15 years, provided that the base accumulation is limited to a maximum of 45 bases. In accordance with the provisions of the Labor Standards Act, the Company allocates a pension fund on a monthly basis for 3% of the total salary, which is stored in a special account in the name of the Labor Retirement Reserve Supervision Committee in a special account of the Bank of Taiwan. In addition, the Company estimates the balance of the aforementioned workers ' retirement reserve account before the end of each year. If the balance is less than the amount of the pension calculated by the estimated workers eligible for retirement in the following year, the difference will be made by the end of March of the following year.

(2) Losses suffered as a result of labour disputes in the most recent year and as of the date of publication of the annual Report, and estimated amounts and countermeasures that may occur now and in the future:

Even though the company does not set up a union or group agreement, it values labor-management relations and provide various communication channels for employees, such as face to face communication, set up online/physical employee suggestion box to provide constructive feedback to all management levels and human resources at anytime. It handles report cases confidentially and verifies objectively, so the employees know the company will protect whistle blower's safety from revenge.

Labor management meetings are held every three months to meet the regulation requirement. Representatives from labor and management and human resources will join the meeting to discuss on the company's major policy, management issue, and benefit. Suggestions proposed in the meeting will be included in the meeting minutes for follow up and effective implementation to ensure employees' labor rights. 6 labor management meetings were held in 2022. No major labor management dispute occurs, so there is no relevant loss.

The company always make great efforts to protect emplyoees' rights by establishing various policies and building unimpeded internal communication channels, so the employees' ideas and suggestions can be immediately responsed and handled. The company also established "Sexual Harassment Prevention Regulations" and "Preventive Plan for Unlawful Infringement in the Workplace", and promoted the system and practice on sexual harassment prevention and unlawful infringement via internal webpages and other channels from time to time to establish correct awareness for employees on gender respect and equality, as well as a working environment without discrimination and sexual harassment.

6. Cyber Security Management

(1) Cyber security risk management structure, cyber security policy, specific management plan, and resource invested in cyber security management:

Administrative Management Department is planned to be responsible for the Cyber Security Risk Management Unit. Relevant policy and management plan are still in the process of development and will be reported to the Board of Directors or management team when it is confirmed.

(2) Any losses, possible impacts therefrom, and measures to be taken due to significant cyber security incidents: None.

7.Important Contract: None

# VI. Financial Overview

1. Condensed balance sheet and consolidated profit and loss account for the past five years, name of accountant and his audit opinion.

(1) Condensed Balance Sheet (Consolidated) - IFRS.

Unit:NT$ 1000

| Item | Year | Financial information for the past five years (Note 1) | | | | | Financial information for the year ended 31 March (Note 2) |
|---|---|---|---|---|---|---|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Current assets | | 8,965,715 | 9,024,153 | 8,453,095 | 9,889,193 | 11,693,901 | 10,661,636 |
| Real estate, plant and equipment | | 8,301,890 | 8,331,456 | 8,330,236 | 7,924,249 | 8,016,711 | 7,931,603 |
| Intangible assets | | 114,738 | 116,418 | 90,673 | 71,843 | 70,298 | 62,318 |
| Other Assets | | 4,086,533 | 6,140,016 | 5,871,131 | 6,169,322 | 6,264,668 | 6,118,125 |
| Total assets | | 21,468,876 | 23,612,043 | 22,745,135 | 24,054,607 | 26,045,578 | 24,773,682 |
| Current liabilities | Before distribution | 7,682,343 | 7,321,703 | 6,300,812 | 7,554,959 | 8,283,846 | 7,942,821 |
| | After distribution | 8,089,110 | 7,759,760 | 6,488,551 | 7,735,079 | Not yet distributed | Not yet distributed |
| Non-current liabilities | | 7,169,480 | 9,427,566 | 9,739,397 | 8,308,703 | 8,592,027 | 7,597,813 |
| Total liabilities | Before distribution | 14,851,823 | 16,749,269 | 16,040,209 | 15,863,662 | 16,875,873 | 15,540,634 |
| | After distribution | 15,258,590 | 17,187,326 | 16,227,948 | 16,043,782 | Not yet distributed | Not yet assigned |
| Equity attributable to owners of the parent company | | 6,423,718 | 6,648,445 | 6,424,948 | 7,889,755 | 8,845,515 | 8,921,029 |
| Capital stock | | 3,128,979 | 3,128,979 | 3,128,979 | 3,428,979 | 3,428,979 | 3,428,979 |
| Capital reserves | | 1,378,734 | 1,379,947 | 1,381,263 | 2,577,877 | 2,578,522 | 2,578,522 |
| Retained earnings | Before distribution | 2,082,751 | 2,396,484 | 2,210,684 | 2,232,867 | 2,998,000 | 3,199,495 |
| | After distribution | 1,675,984 | 1,958,427 | Not yet distributed | 2,052,747 | Not yet distributed | Not yet distributed |
| Other interests | | (160,750) | (250,969) | (289,982) | (343,972) | (153,990) | (279,971) |
| Treasury stock | | (5,996) | (5,996) | (5,996) | (5,996) | (5,996) | (5,996) |
| Non-controlling interests | | 193,335 | 214,329 | 279,978 | 301,190 | 324,190 | 312,019 |
| Total equity | Before distribution | 6,617,053 | 6,862,774 | 6,704,926 | 8,190,945 | 9,169,705 | 9,233,048 |
| | After distribution | 6,210,286 | 6,424,717 | 6,517,187 | 8,010,825 | Not yet distributed | Not yet distributed |

Note1 : The 2018-2022 financial information has been audited and certified by an accountant.
Note 2: 2023/3/31 The financial information was reviewed by the accountant.

(2) Condensed Balance Sheet (Individual) - IFRS.

Unit:NT$ 1000

| Item | Year | Financial information for the past five years (Note 1) | | | | |
|---|---|---|---|---|---|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Current assets | | 5,258,578 | 4,880,185 | 4,536,631 | 5,682,648 | 6,723,133 |
| Real estate, plant and equipment | | 5,925,325 | 6,178,708 | 6,381,043 | 6,120,820 | 6,210,444 |
| Intangible assets | | 68,004 | 76,695 | 57,329 | 40,267 | 41,054 |
| Other Assets | | 5,762,294 | 6,781,401 | 6,781,462 | 6,793,122 | 6,723,731 |
| Total assets | | 17,014,201 | 17,916,989 | 17,756,465 | 18,636,857 | 19,698,362 |
| Current liabilities | Before distribution | 5,175,767 | 4,670,000 | 3,898,799 | 5,098,825 | 4,826,945 |
| | After distribution | 5,582,534 | 5,108,057 | 4,086,538 | 5,278,945 | Not yet distributed |
| Non-current liabilities | | 5,414,716 | 6,598,544 | 7,432,718 | 5,648,277 | 6,025,902 |
| Non-current liabilities | Before distribution | 10,590,483 | 11,268,544 | 11,331,517 | 10,747,102 | 10,852,847 |
| | After distribution | 10,997,250 | 11,706,601 | 11,519,256 | 10,927,222 | Not yet distributed |
| Equity attributable to owners of the parent company | | 6,423,718 | 6,648,445 | 6,424,948 | 7,889,755 | 8,845,515 |
| Capital stock | | 3,128,979 | 3,128,979 | 3,128,979 | 3,428,979 | 3,428,979 |
| Capital reserves | | 1,378,734 | 1,379,947 | 1,381,263 | 2,577,877 | 2,578,522 |
| Retained earnings | Before distribution | 2,082,751 | 2,396,484 | 2,210,684 | 2,232,867 | 2,998,000 |
| | After distribution | 1,675984 | 1,958,430 | 2,022,945 | 2,052,747 | Not yet distributed |
| Other interests | | (160,750) | (250,969) | (289,982) | (343,972) | (154,990) |
| Treasury stock | | (5,996) | (5,996) | (5,996) | (5,996) | (5,996) |
| Non-controlling interests | | - | - | - | - | - |
| Total equity | Before distribution | 6,423,718 | 6,648,445 | 6,424,948 | 7,889,755 | 8,845,515 |
| | After distribution | 6,016,951 | 6,424,948 | 6,237,209 | 7,709,635 | Not yet distributed |

Note1:The 2018-2022 financial information has been verified by accountants.

(3) Condensed Consolidated Income Statement (Consolidated) -IFRS

Unite:NT$ 1,000

| Item \ Year | Financial information for the past five years (Note 1) | | | | | Financial information for the year ended 31 March (Note 2) |
|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Operating revenues | 16,621,903 | 17,539,920 | 14,446,208 | 16,576,615 | 19,207,226 | 4,709,936 |
| Gross profit | 3,683,969 | 4,162,733 | 2,857,442 | 3,007,408 | 4,183,913 | 1,153,605 |
| Operating profit or loss | 618,624 | 1,055,804 | 266,486 | 428,703 | 886,836 | 391,077 |
| Non-operating income and expenses | 65,144 | (72,299) | 141,415 | (99,282) | 380,748 | (97,999) |
| Net profit before tax | 683,768 | 983,505 | 407,901 | 329,421 | 1,267,584 | 293,078 |
| Net profit for the current period of continuing operating units | 606,249 | 711,920 | 286,687 | 236,609 | 1,001,861 | 218,671 |
| Losses of closed units | — | — | | — | — | — |
| Net profit ( Loss) for the period | 606,249 | 711,920 | 286,687 | 236,609 | 1,001,861 | 218,671 |
| Other consolidated profit or loss for the current period (Net after tax) | (35,287) | (60,645) | (56,954) | (39,465) | 207,874 | (123,828) |
| Total Consolidated Profit or Loss for the current period | 570,962 | 651,275 | 229,733 | 197,144 | 1,209,735 | 94,843 |
| Net profit attributable to owner of parent company | 622,939 | 695,130 | 262,616 | 193,271 | 932,533 | 201,495 |
| Net profit attributable to non-controlling interests | (16,690) | 16,790 | 24,071 | 43,338 | 69,328 | 17,176 |
| Total consolidated profit or loss attributable to owners of the parent company | 591,464 | 630,281 | 213,244 | 155,932 | 1,135,235 | 75,514 |
| Total consolidated profit or loss attributable to non-controlling interests | (20,502) | 20,994 | 16,489 | 41,212 | 74,500 | 19,329 |
| EPS | 2.00 | 2.23 | 0.84 | 0.62 | 2.91 | 0.65 |

Note1:The financial information for 2018-2022 has been audited and certified by an accountant.
Note2:The financial information as of 31 March 2023 has been reviewed by the accountants.

(4) Condensed Consolidated Income Statement (Individual) - IFRS

Unit:NT$ 1,000

| Item \ Year | Financial information for the past five years (Note 1) | | | | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Operating revenues | 11,467,022 | 11,998,508 | 9,391,750 | 11,193,999 | 11,530,952 |
| Gross profit | 1,707,907 | 2,087,034 | 943,343 | 1,151,500 | 1,865,854 |
| Operating profit or loss | 612,299 | 914,400 | (53,877) | 165,116 | 671,638 |
| Non-operating income and expenses | 35,594 | (42,471) | 289,023 | 70,399 | 449,838 |
| Net profit before tax | 647,893 | 871,929 | 235,146 | 235,515 | 1,121,476 |
| Net profit for the current period of continuing operating units | 622,939 | 695,130 | 262,616 | 193,271 | 932,533 |
| Losses of closed units | — | — | | — | — |
| Net profit ( Loss) for the period | 622,939 | 695,130 | 0.84 | 193,271 | 932,533 |
| Other consolidated profit or loss for the current period (Net after tax) | (31,475) | (64,849) | (49,372) | (37,339) | 202,702 |
| Total Consolidated Profit and Loss for the current period | 591,464 | 630,281 | 213,244 | 155,932 | 1,135,235 |
| Net profit attributable to owner of parent company | — | — | — | — | — |
| Net profit attributable to non-controlling interests | — | — | — | — | — |
| Total consolidated profit or loss attributable to owners of the parent company | — | — | — | — | — |
| Total consolidated profit or loss attributable to non-controlling interests | — | — | — | — | — |
| EPS | 2.00 | 2.23 | 0.84 | 0.62 | 2.91 |

Note1:The financial information for 2018-2022 has been audited and certified by an accountant.

(5) Name and audit opinion of the accountant for the past five years

| Year | Audit Accountant | Audit comment | Instructions |
|---|---|---|---|
| 2018 | HU,TZU-REN<br>HUANG, SHIH-CHIEH | Unqualified opinion | |
| 2019 | HUANG, SHIH-CHIEH<br>LEE,FANG-WEN | Unqualified opinion | |
| 2020 | HUANG, SHIH-CHIEH<br>LEE,FANG-WEN | Unqualified opinion | |
| 2021 | HUANG, SHIH-CHIEH<br>LEE,FANG-WEN | Unqualified opinion | |
| 2022 | HUNG, KUO-SEN<br>LEE,FANG-WEN | Unqualified opinion | |

2.Financial analysis for the past five years:

(1) Financial Analysis (Consolidation) - IFRS

| Analysis items (Note2) \ Year (Note1) | | Financial analysis for the past five years | | | | | Financial information for the year ended 31 March (Note 2) |
|---|---|---|---|---|---|---|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Financial structure (%) | Debt to asset ratio | 69.18 | 70.94 | 70.52 | 65.95 | 64.79 | 62.73 |
| | Ratio of long-term capital to real estate, plant and equipment | 166.06 | 195.53 | 197.41 | 208.22 | 218.02 | 212.20 |
| Solvency % | Current ratio | 116.71 | 123.25 | 134.16 | 130.90 | 141.17 | 134.23 |
| | Quick ratio | 53.96 | 56.50 | 59.24 | 53.05 | 66.44 | 61.01 |
| | Interest coverage ratio | 6.29 | 7.35 | 4.27 | 3.42 | 7.00 | 4.72 |
| Operating capacity | Receivable turnover rate (times) | 6.16 | 5.93 | 3.38 | 6.22 | 6.16 | 5.58 |
| | Average cash recovery day | 59.25 | 61.34 | 71.19 | 58.68 | 59.25 | 65.41 |
| | Inventory turnover rate (times) | 2.95 | 2.90 | 2.56 | 2.72 | 2.60 | 2.52 |
| | Payable turnover rate (times) | 4.07 | 4.38 | 3.79 | 4.21 | 4.97 | 4.62 |
| | Days sales outstanding | 123.73 | 125.86 | 142.57 | 134.19 | 140.38 | 144.84 |
| | Property, plant and equipment turnover rate (times) | 2.04 | 2.11 | 1.73 | 2.04 | 2.41 | 2.37 |
| | Total asset turnover rate (times) | 0.80 | 0.78 | 0.62 | 0.71 | 0.77 | 0.75 |
| Profitability | Return on assets (%) | 3.43 | 3.87 | 1.83 | 1.48 | 4.67 | 3.76 |
| | Return on Shareholders ' Equity（%） | 9.24 | 10.56 | 4.23 | 3.18 | 11.54 | 9.81 |
| | Ratio of Pre-tax net profit to paid-up capital% (Note:6) | 21.85 | 31.43 | 13.04 | 9.61 | 36.97 | 34.19 |
| | Net profit ratio（%） | 3.65 | 4.06 | 1.98 | 1.43 | 5.22 | 4.64 |
| | EPS (NT$) | 2.00 | 2.23 | 0.84 | 0.62 | 2.91 | 0.65 |
| Cash flow | Cash Flow Ratio（%） | 19.50 | 25.47 | 45.36 | 5.83 | 16.64 | 49.10 |
| | Cash Flow Allowable ratio（%） | 67.83 | 69.53 | 84.54 | 69.56 | 73.40 | 232.16 |
| | Cash reinvestment ratio (%) | 4.64 | 6.68 | 10.68 | 1.11 | 4.87 | 16.31 |
| Leverage | Operating leverage | 3.10 | 2.50 | 6.79 | 4.56 | 2.68 | 1.82 |
| | Financial leverage | 1.26 | 1.23 | 2.79 | 1.46 | 1.31 | 1.25 |

Note1:The above financial information has been audited and certified/reviewed by the accountants.

Note 2:The formula is as follows :

1. Financial Structure

(1) Debt to asset ratio = total liabilities/total assets.

(2) Long-term funds to property, plant and equipment = (total equity + non-current liabilities)/net property, plant and equipment.

2. Solvency

(1) Current ratio = current assets/current liabilities.

(2) Quick Ratio = (Current Assets - Inventory - Prepaid Expenses) / Current Liabilities.

(3) Interest coverage multiple = net income before income taxes and interest expense/interest expense for the period.

3. Business Capability

(1) Turnover rate of accounts receivable (including accounts receivable and notes receivable arising from operations) = Net sales/average balance of accounts receivable (including accounts receivable and notes receivable arising from operations) for each period.

(2) Average collection date = 365/receivables turnover rate.

(3) Inventory turnover = cost of goods sold/average inventory amount.

(4) Turnover rate of accounts payable (including accounts payable and notes payable arising from operations) = cost of goods sold/average balance of accounts payable (including accounts payable and notes payable arising from operations) for each period.

(5) Average number of days to sell = 365/inventory turnover rate.

(6) Turnover rate of property, plant and equipment = net sales/average net property, plant and equipment.

(7) Total Asset Turnover = Net Sales / Total Average Assets.

4. Profitability

(1) Return on assets = (Profit and loss after tax + interest expense x (1 - tax rate)) / average total assets.

(2) Return on shareholders' equity = Profit or loss after tax / average net shareholders' equity.

(3) Net profit margin = profit or loss after tax / net sales.

(4) Earnings per share = (Profit or loss attributable to owners of the parent company - preferred stock dividends)/weighted average number of shares outstanding.(Note 3)

5. Cash flow

(1) Cash flow ratio = Cash flow from operating activities / Current liabilities.

(2) Net cash flow fair ratio = net cash flow from operating activities for the last five years / (capital expenditures + increase in inventories + cash dividends) for the last five years.

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends)/( gross property, plant and equipment + long-term investments + non-current assets + working capital).(Note 4)

6. Leverage

(1) Operating leverage = (net operating income - variable operating costs and expenses)/operating income.

(2) Financial leverage = operating income/(operating income - interest expense).

Note 3: The above formula for calculating earnings per share should be measured with particular attention to the following :

1. Based on the weighted average number of ordinary shares rather than the number of shares in issue at the end of the year.
2. The weighted average number of shares shall be calculated by taking into account the period during which the shares are outstanding, where there is a cash capital increase or a treasury share trader.
3. If there is a capital increase from earnings or capital surplus, the percentage of capital increase should be adjusted retroactively when calculating earnings per share for the previous years and half-year, without regard to the issuance period of such capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividends for the year, whether paid or unpaid, shall be reduced by the net income after tax or increased by the net loss after tax; if the preferred shares are non-cumulative, the dividends shall be reduced by the net income after tax if there is a net income after tax; if there is a loss, no adjustment is necessary.

Note 4:The cash flow analysis should pay particular attention to the following in its measurement.

1. Net cash flow from operating activities represents the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures represent the annual cash outflow from capital investments.
3. Increases in inventories are included only if the closing balance is greater than the opening balance and are calculated as nil if inventories are reduced at the end of the year.
4. Cash dividends include cash dividends on common and preferred shares.
5. Gross property, plant and equipment represents the total amount of property, plant and equipment before accumulated depreciation.

Note 5:Issuers should distinguish between fixed and variable operating costs and operating expenses depending on their nature, and where estimates or subjective judgements are involved, they should be reasonable and consistent.

Note 6:If the Company's stock has no par value or has a par value other than NT$10 per share, the calculation of the ratio of the Company's paid-in capital is based on the ratio of the Company's equity to that of the parent company's owners in the balance sheet.

(2) Financial Analysis (Individual) - IFRS

| Analysis items (Note 2) / Year(Note 1) | | Financial analysis for the past five years | | | | |
|---|---|---|---|---|---|---|
| | | 2017 | 2018 | 2019 | 2021 | 2022 |
| Financial structure (%) | Debt to asset ratio | 60.94 | 62.24 | 62.89 | 57.67 | 55.10 |
| | Ratio of long-term capital to real estate, plant and equipment | 204.88 | 199.79 | 214.40 | 221.18 | 233.38 |
| Solvency % | Current ratio | 103.70 | 101.60 | 104.50 | 111.45 | 139.28 |
| | Quick ratio | 80.46 | 78.60 | 78.87 | 84.23 | 105.79 |
| | Interest coverage ratio | 13.27 | 10.62 | 11.40 | 4.93 | 16.46 |
| Operating capacity | Receivable turnover rate (times) | 3.32 | 3.31 | 3.44 | 3.29 | 3.06 |
| | Average cash recovery day | 109.94 | 110.27 | 106.10 | 110.94 | 119.28 |
| | Inventory turnover rate (times) | 10.09 | 9.80 | 9.10 | 8.69 | 7.15 |
| | Payable turnover rate (times) | 3.81 | 3.68 | 3.88 | 3.73 | 3.86 |
| | Days sales outstanding | 36.17 | 37.25 | 40.11 | 42.00 | 51.04 |
| | Property, plant and equipment turnover rate (times) | 1.93 | 1.94 | 1.94 | 1.83 | 1.86 |
| | Total asset turnover rate (times) | 0.68 | 0.67 | 0.67 | 0.60 | 0.59 |
| Profitability | Return on assets (%) | 4.57 | 4.10 | 4.36 | 1.34 | 5.18 |
| | Return on Shareholders ' Equity（%） | 10.48 | 9.80 | 10.64 | 2.70 | 11.14 |
| | Ratio of Pre-tax net profit to paid-up capital% (Note:6) | 25.07 | 20.71 | 27.87 | 6.87 | 32.71 |
| | Net profit ratio（%） | 6.01 | 5.43 | 5.79 | 1.73 | 8.09 |
| | EPS(NT$) | 2.12 | 2.00 | 2.23 | 0.62 | 2.91 |
| Cash flow | Cash Flow Ratio（%） | 39.69 | 27.17 | 48.20 | 4.37 | 44.73 |
| | Cash Flow Allowable ratio（%） | 85.46 | 80.66 | 85.19 | 85.98 | 101.15 |
| | Cash reinvestment ratio (%) | 6.03 | 4.76 | 9.46 | 0.17 | 8.75 |
| Leverage | Operating leverage | 3.02 | 2.68 | 2.21 | 8.35 | 3.03 |
| | Financial leverage | 1.14 | 1.12 | 1.10 | 1.57 | 1.12 |

Reasons for changes in financial ratios for the last two years: (Exempt from analysis if the change is less than 20%)

1. Change in the ratio of net income before tax to paid-in capital: mainly due to the increase in net income before tax for the current period.
2. Cash flow ratio: mainly due to the increase in net operating cash flow.
3. The change in cash reinvestment ratio was mainly due to the increase in net cash flow from operations.

Note1:The above financial information has been audited and certified by the accountants.

Note 2:The formula is as follows :

1. Financial Structure

(1) Debt to asset ratio = total liabilities/total assets.

(2) Long-term funds to property, plant and equipment = (total equity + non-current liabilities)/net property, plant and equipment.

2. Solvency

(1) Current ratio = current assets/current liabilities.

(2) Quick Ratio = (Current Assets - Inventory - Prepaid Expenses) / Current Liabilities.

(3) Interest coverage multiple = net income before income taxes and interest expense/interest expense for the period.

3. Business Capability

(1) Turnover rate of accounts receivable (including accounts receivable and notes receivable arising from operations) = Net sales/average balance of accounts receivable (including accounts receivable and notes receivable arising from operations) for each period.

(2) Average collection date = 365/receivables turnover rate.

(3) Inventory turnover = cost of goods sold/average inventory amount.

(4) Turnover rate of accounts payable (including accounts payable and notes payable arising from operations) = cost of goods sold/average balance of accounts payable (including accounts payable and notes payable arising from operations) for each period.

(5) Average number of days to sell = 365/inventory turnover rate.

(6) Turnover rate of property, plant and equipment = net sales/average net property, plant and equipment.

(7) Total Asset Turnover = Net Sales / Total Average Assets.

4. Profitability

(1) Return on assets = (Profit and loss after tax + interest expense x (1 - tax rate)) / average total assets.

(2) Return on shareholders' equity = Profit or loss after tax / average net shareholders' equity.

(3) Net profit margin = profit or loss after tax / net sales.

(4) Earnings per share = (Profit or loss attributable to owners of the parent company - preferred stock dividends)/weighted average number of shares outstanding. (Note 3)

5. Cash flow

(1) Cash flow ratio = Cash flow from operating activities / Current liabilities.

(2) Net cash flow fair ratio = net cash flow from operating activities for the last five years / (capital expenditures + increase in inventories + cash dividends) for the last five years.

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends)/(gross property, plant and equipment + long-term investments + non-current assets + working capital). (Note 4)

6. Leverage

(1) Operating leverage = (net operating income - variable operating costs and expenses)/operating income.

(2) Financial leverage = operating income/(operating income - interest expense).

Note 3: The above formula for calculating earnings per share should be measured with particular attention to the following :

1. Based on the weighted average number of ordinary shares rather than the number of shares in issue at the end of the year.
2. The weighted average number of shares shall be calculated by taking into account the period during which the shares are outstanding, where there is a cash capital increase or a treasury share trader.
3. If there is a capital increase from earnings or capital surplus, the percentage of capital increase should be adjusted retroactively when calculating earnings per share for the previous years and half-year, without regard to the issuance period of such capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividends for the year, whether paid or unpaid, shall be reduced by the net income after tax or increased by the net loss after tax; if the preferred shares are non-cumulative, the dividends shall be reduced by the net income after tax if there is a net income after tax; if there is a loss, no adjustment is necessary.

Note 4:The cash flow analysis should pay particular attention to the following in its measurement.

1. Net cash flow from operating activities represents the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures represent the annual cash outflow from capital investments.
3. Increases in inventories are included only if the closing balance is greater than the opening balance and are calculated as nil if inventories are reduced at the end of the year.
4. Cash dividends include cash dividends on common and preferred shares.
5. Gross property, plant and equipment represents the total amount of property, plant and equipment before accumulated depreciation.

Note 5:Issuers should distinguish between fixed and variable operating costs and operating expenses depending on their nature, and where estimates or subjective judgements are involved, they should be reasonable and consistent.

Note 6:If the Company's stock has no par value or has a par value other than NT$10 per share, the calculation of the ratio of the Company's paid-in capital is based on the ratio of the Company's equity to that of the parent company's owners in the balance sheet.

3. Audit Committee's Review on the examination of the latest annual financial report :

**TYC Brother Industrial Co., Ltd**
**Audit Committee's Review 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:

黃崇輝

Huang, Chung-Hui

4.Latest Annual Financial Statements:

# TYC BROTHER INDUSTRIAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

## WITH

## REPORT OF INDEPENDENT AUDITORS

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of TYC BROTHER INDUSTRIAL CO., LTD. as of and for the year ended 31 December 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TYC BROTHER INDUSTRIAL CO., LTD. and subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

TYC BROTHER INDUSTRIAL CO., LTD.

By Wu, Kuo-Chen
Chairman

16 March 2023

## 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 (together referred to as the "Group") as of 31 December 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2022 and 2021, 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 2022 and 2021, and their consolidated financial performance and cash flows for the years ended 31 December 2022 and 2021, 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 the Standards on Auditing of 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 2022 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 of accounts receivable

As of 31 December 2022, the Group's accounts receivable and allowance for its doubtful accounts amounted to NT$3,694,644 thousand and NT$242,309 thousand, respectively. Net accounts receivable constituted a material amount of 14 % of the total consolidated assets, which was considered material in the consolidated statements. Since the Group's allowance for doubtful accounts was measured at the lifetime expected credit loss, its account receivables should be appropriately grouped during the measurement process and the Group should determine the use of related assumptions in the measurement process, 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 considered 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 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 and evaluate its recoverability; 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 for more details.

Valuation for inventories

As of 31 December 2022, the Group's net inventories amounted to NT$5,981,111 thousand, constituting 23% of total consolidated asset, which was considered material in the consolidated statements. Considering the market change, horizontal competition and numerous inventory items, the loss allowance for loss on inventory valuation and obsolescence required significant management judgment, we therefore considered 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 for more details.

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

We did not audit the financial statements of certain consolidated subsidiaries. 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' total assets amounted to NT$1,596,475 thousand and NT$1,547,689 thousand, constituting 6.13% and 6.43% of consolidated total assets as of 31 December 2022 and 2021, respectively. And their total operating revenues amounted to NT$2,639,139 thousand and NT$2,489,995 thousand, constituting 13.74% and 15.02% of consolidated operating revenues for the years ended 31 December 2022 and 2021, respectively. We did not audit the financial statements of certain associates and joint ventures accounted for using 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. The Group's investments in its associates and joint ventures accounted for using the equity method amounted to NT$214,030 thousand and NT$166,913 thousand, representing 0.82% and 0.69% of consolidated total assets as of 31 December 2022 and 2021, respectively. The related shares of profits from the associates and joint ventures accounted for using the equity method amounted to NT$45,814 thousand and NT$10,243 thousand, representing 3.61% and 3.11% of the consolidated net income before tax for the years ended 31 December 2022 and 2021, respectively, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT$751 thousand and NT$(3,376) thousand, representing 0.36% and 8.55% of the consolidated statement of other comprehensive income for the years ended 31 December 2022 and 2021, 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 Group, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

**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 the Standards on Auditing of 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 the Standards on Auditing of 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group.

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 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 Group to cease to continue as a going concern.

5. 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.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 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 2022 and 2021.

Hung, Kuo-Sen

Lee, Fang-Wen

Ernst & Young, Taiwan
16 March 2023

Notice to Readers：
The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China on Taiwan.
Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China on Taiwan, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TYC BROTHER INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| ASSETS | Notes | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|---|
| Current assets | | | |
| Cash and cash equivalents | Ⅳ/Ⅵ.1 | $1,855,266 | $898,571 |
| 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 | 83,388 | 168,453 |
| Notes receivable, net | Ⅳ/Ⅵ.5 | 13,560 | 23,960 |
| Notes receivable-related parties, net | Ⅳ/Ⅵ.5/Ⅶ | 1,676 | 20,301 |
| Accounts receivable, net | Ⅳ/Ⅵ.6/Ⅷ | 3,323,908 | 2,638,801 |
| Accounts receivable-related parties, net | Ⅳ/Ⅵ.6/Ⅶ | 113,191 | 96,974 |
| Other receivables | Ⅳ/Ⅶ | 112,548 | 160,068 |
| Inventories | Ⅳ/Ⅵ.7/Ⅷ | 5,981,111 | 5,579,094 |
| Other current assets | | 209,253 | 301,937 |
| Total current assets | | 11,693,901 | 9,889,193 |
| Non-current assets | | | |
| Financial assets at fair value through other comprehensive income, non-current | Ⅳ/Ⅵ.3 | 316,986 | 228,426 |
| Investments accounted for under the equity method | Ⅳ/Ⅵ.8 | 2,090,422 | 1,965,506 |
| Property, plant and equipment | Ⅳ/Ⅵ.9/Ⅷ | 8,016,711 | 7,924,249 |
| Right-of-use asset | Ⅳ/Ⅵ.19 | 2,192,629 | 2,085,086 |
| Intangible assets | Ⅳ/Ⅵ.10 | 70,298 | 71,843 |
| Deferred tax assets | Ⅳ/Ⅵ.23 | 460,985 | 497,544 |
| Prepayment for equipments | | 1,117,956 | 1,295,409 |
| Refundable deposits | Ⅷ | 58,535 | 54,376 |
| Net defined benefit assets, non-current | Ⅳ/Ⅵ.15 | 793 | - |
| Other non-current assets-others | | 26,362 | 42,975 |
| Total non-current assets | | 14,351,677 | 14,165,414 |
| Total assets | | $26,045,578 | $24,054,607 |

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

English Translation of Consoildated Financial Statements Originally Issued in Chinese

TYC BROTHER INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| LIABILITIES AND EQUITY | Notes | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|---|
| Current liabilities | | | |
| Short-term borrowings | Ⅳ/Ⅵ.11 | $2,257,221 | $1,909,969 |
| Short-term notes and bills payable | Ⅳ/Ⅵ.12 | 599,924 | 639,808 |
| Financial liabilities at fair value through profit or loss, current | Ⅳ/Ⅵ.13 | 5,046 | 3,577 |
| Notes payable | Ⅳ | 302,018 | 314,719 |
| Accounts payable | Ⅳ | 2,102,166 | 2,324,382 |
| Accounts payable-related parties | Ⅳ/Ⅶ | 449,327 | 553,790 |
| Other payables | Ⅳ | 1,094,207 | 979,507 |
| Current tax liabilities | Ⅳ/Ⅵ.23 | 222,762 | 34,071 |
| Lease liabilities, current | Ⅳ/Ⅵ.19 | 224,805 | 220,118 |
| Current portion of long-term liabilities | Ⅳ/Ⅵ.14 | 669,868 | 151,077 |
| Other current liabilities | | 356,502 | 423,941 |
| Total current liabilities | | 8,283,846 | 7,554,959 |
| Non-current liabilities | | | |
| Long-term borrowings | Ⅳ/Ⅵ.14 | 6,521,989 | 6,217,336 |
| Deferred tax liabilities | Ⅳ/Ⅵ.23 | 52,755 | 52,269 |
| Lease liabilities, non-current | Ⅳ/Ⅵ.19 | 1,834,666 | 1,764,024 |
| Net defined benefit liabilities, non-current | Ⅳ/Ⅵ.15 | 137,521 | 218,271 |
| Other non-current liabilities-others | | 45,096 | 56,803 |
| Total non-current liabilities | | 8,592,027 | 8,308,703 |
| Total liabilities | | 16,875,873 | 15,863,662 |
| Equity attributable to the parent company | | | |
| Capital | Ⅳ/Ⅵ.16 | | |
| Common stock | | 3,128,979 | 3,128,979 |
| Preferred stock | | 300,000 | 300,000 |
| Capital surplus | Ⅳ/Ⅵ.16 | 2,578,522 | 2,577,877 |
| Retained earnings | Ⅳ/Ⅵ.16 | | |
| Legal reserve | | 829,612 | 808,620 |
| Special reserve | | 343,972 | 289,982 |
| Unappropriated earnings | | 1,824,416 | 1,134,265 |
| Other equity | Ⅳ/Ⅵ.22 | | |
| Exchange differences resulting from translating the financial statements of foreign operations | | (241,318) | (446,242) |
| Unrealized gains or losses on financial assets measured at fair value through other comprehensive income | | 87,328 | 102,270 |
| Treasury stock | Ⅳ/Ⅵ.16 | (5,996) | (5,996) |
| Total equity attributable to the parent company | | 8,845,515 | 7,889,755 |
| Non-controlling interests | Ⅳ/Ⅵ.16 | 324,190 | 301,190 |
| Total equity | | 9,169,705 | 8,190,945 |
| Total liabilities and equity | | $26,045,578 | $24,054,607 |

(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 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

| ITEMS | Notes | 2022 | 2021 |
|---|---|---|---|
| Operating revenues | Ⅳ/Ⅵ.17/Ⅶ | $19,207,226 | $16,576,615 |
| Operating costs | Ⅳ/Ⅵ.7.19.20/Ⅶ | (15,023,323) | (13,569,218) |
| Gross profit | | 4,183,903 | 3,007,397 |
| Unrealized profit on sales | | - | (10) |
| Realized profit on sales | | 10 | 21 |
| Net gross profit | | 4,183,913 | 3,007,408 |
| Operating expenses | Ⅳ/Ⅵ.19.20 | | |
| Sales and marketing expenses | | (1,788,774) | (1,477,807) |
| General and administrative expenses | | (1,137,131) | (751,531) |
| Research and development expenses | | (375,587) | (344,453) |
| Expected credit impairment (losses) gains | Ⅳ/Ⅵ.18 | 4,415 | (4,914) |
| Subtotal | | (3,297,077) | (2,578,705) |
| Operating income | | 886,836 | 428,703 |
| Non-operating income and expenses | | | |
| Other income | Ⅵ.21 | 74,269 | 100,858 |
| Other gains and losses | Ⅵ.21 | 400,253 | (136,170) |
| Finance costs | Ⅵ.21 | (211,126) | (135,854) |
| Share of profit of associates and joint ventures accounted for using the equity method | Ⅳ/Ⅵ.8 | 117,352 | 71,884 |
| Subtotal | | 380,748 | (99,282) |
| Net income before income tax | | 1,267,584 | 329,421 |
| Income tax expense | Ⅳ/Ⅵ.23 | (265,723) | (92,812) |
| Net income | | 1,001,861 | 236,609 |
| Other comprehensive income (loss) | Ⅳ/Ⅵ.22 | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Remeasurements of the defined benefit plan | | 31,268 | 21,269 |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | | (26,426) | (2,740) |
| Income tax related to items that will not be reclassified subsequently | | (6,254) | (4,254) |
| Item that may be reclassified subsequently to profit or loss | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | | 225,150 | (81,080) |
| Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method | | 35,367 | 14,698 |
| Income tax related to items that may be reclassified subsequently | | (51,231) | 12,642 |
| Total other comprehensive income (loss), net of tax | | 207,874 | (39,465) |
| Total comprehensive income (loss) | | $1,209,735 | $197,144 |
| | | | |
| Net income attributable to: | | | |
| Stockholders of the parent | | $932,533 | $193,271 |
| Non-controlling interests | | 69,328 | 43,338 |
| | | $1,001,861 | $236,609 |
| Comprehensive income attributable to: | | | |
| Stockholders of the parent | | $1,135,235 | $155,932 |
| Non-controlling interests | | 74,500 | 41,212 |
| | | $1,209,735 | $197,144 |
| Earnings per share (NTD) | | | |
| Earnings per share-basic | Ⅳ/Ⅵ.24 | $2.91 | $0.62 |
| Earnings per share-diluted | Ⅳ/Ⅵ.24 | $2.90 | $0.62 |

(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 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to the parent company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital | | | Retained Earnings | | | Other equity | | | | | |
| ITEMS | Common stock | Preferred stock | Capital surplus | 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 | Treasury stock | Total | Non-controlling interests | Total equity |
| 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 | $3,128,979 | $300,000 | $2,577,877 | $808,620 | $289,982 | $1,134,265 | $(446,242) | $102,270 | $(5,996) | $7,889,755 | $301,190 | $8,190,945 |
| Balance as of 1 January 2022 | $3,128,979 | $300,000 | $2,577,877 | $808,620 | $289,982 | $1,134,265 | $(446,242) | $102,270 | $(5,996) | $7,889,755 | $301,190 | $8,190,945 |
| Appropriation and distribution of 2021 retained earnings | | | | | | | | | | | | |
| Legal reserve | - | - | - | 20,992 | - | (20,992) | - | - | - | - | - | - |
| Special reserve | - | - | - | - | 53,990 | (53,990) | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | (156,449) | - | - | - | (156,449) | - | (156,449) |
| Preferred share dividends | - | - | - | - | - | (23,671) | - | - | - | (23,671) | - | (23,671) |
| Net income for the year ended 31 December 2022 | - | - | - | - | - | 932,533 | - | - | - | 932,533 | 69,328 | 1,001,861 |
| Other comprehensive income (loss) for the year ended 31 December 2022 | - | - | - | - | - | 23,945 | 204,924 | (26,167) | - | 202,702 | 5,172 | 207,874 |
| Total comprehensive income (loss) | - | - | - | - | - | 956,478 | 204,924 | (26,167) | - | 1,135,235 | 74,500 | 1,209,735 |
| Adjustments for dividends subsidiaries received from parent company | - | - | 469 | - | - | - | - | - | - | 469 | - | 469 |
| Decrease in non-controlling interests | - | - | - | - | - | - | - | - | - | - | (51,500) | (51,500) |
| Disposals of financial assets at fair value through other comprehensive income | - | - | - | - | - | (11,225) | - | 11,225 | - | - | - | - |
| Other | - | - | 176 | - | - | - | - | - | - | 176 | - | 176 |
| Balance as of 31 December 2022 | $3,128,979 | $300,000 | $2,578,522 | $829,612 | $343,972 | $1,824,416 | $(241,318) | $87,328 | $(5,996) | $8,845,515 | $324,190 | $9,169,705 |

(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 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| ITEMS | 2022 | 2021 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income before tax | $1,267,584 | $329,421 |
| Adjustments for: | | |
| Income and expense adjustments: | | |
| Depreciation | 1,593,270 | 1,627,816 |
| Amortization | 36,379 | 42,162 |
| Expected credit impairment (gains) losses | (4,415) | 4,914 |
| Finance costs | 211,126 | 135,854 |
| Interest income | (8,089) | (3,503) |
| Dividend income | (4,129) | (2,761) |
| Share of profit of associates and joint ventures accounted for using the equity method | (117,352) | (71,884) |
| (Gains) on disposal of property, plant and equipment | (44,083) | (2,366) |
| Losses on disposal of intangible assets | 81 | - |
| Unrealized profit on sales | - | 10 |
| Realized profit on sales | (10) | (21) |
| Others | (34) | (4) |
| Changes in operating assets and liabilities: | | |
| Financial assets at fair value through profit or loss | 1,034 | (1,034) |
| Notes receivable | 10,444 | (1,543) |
| Notes receivable-related parties | 18,673 | (6,738) |
| Accounts receivable | (680,529) | (190,450) |
| Accounts receivable-related parties | (16,472) | (37,525) |
| Other receivables | 31,614 | (48,641) |
| Inventories | (402,017) | (1,186,658) |
| Other current assets | 92,684 | 25,933 |
| Financial liabilities at fair value through profit or loss | 1,469 | (13,443) |
| Notes payable | (12,701) | (10,271) |
| Accounts payable | (222,216) | (895) |
| Accounts payable-related parties | (104,463) | (56,872) |
| Other payables | 110,443 | 38,304 |
| Other current liabilities | (67,439) | 1,535 |
| Net defined benefit pension liabilities | (50,275) | (31,168) |
| Other non-current liabilities | (12,390) | (2,784) |
| Cash generated from operations | 1,628,187 | 537,388 |
| Interest received | 8,089 | 3,503 |
| Dividend received | 32,306 | 105,861 |
| Interest paid | (217,177) | (144,951) |
| Income tax paid | (73,036) | (64,156) |
| Net cash provided by operating activities | 1,378,369 | 437,645 |

| ITEMS | 2022 | 2021 |
|---|---|---|
| Cash flows from investing activities: | | |
| Acquistion of financial assets at fair value through other comprehensive income | (116,637) | (59,822) |
| Proceeds from redemption of financial assets at fair value through other comprehensive income | 1,651 | 1,109 |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | - | 19,283 |
| Acquistion of financial assets measured at amortized cost | (16,185) | (127,283) |
| Proceeds from redemption of financial assets measured at amortized cost | 109,272 | 36,496 |
| Acquisition of property, plant and equipment | (1,294,230) | (1,086,450) |
| Proceeds from disposal of property, plant and equipment | 49,892 | 11,817 |
| Increase in refundable deposits | (6,598) | (5,823) |
| Decrease in refundable deposits | 4,488 | 2,152 |
| Acquistion of intangible assets | (34,790) | (23,267) |
| Increase in other non-current assets | (1,890) | (25,094) |
| Decrease in other non-current assets | 18,628 | 21,404 |
| Net cash used in investing activities | (1,286,399) | (1,235,478) |
| Cash flows from financing activities: | | |
| Increase in short-term borrowings | 2,704,816 | 1,744,775 |
| Decrease in short-term borrowings | (2,410,674) | (1,050,358) |
| Increase in short-term notes and bills payable | 1,100,000 | 800,000 |
| Decrease in short-term notes and bills payable | (1,139,884) | (160,192) |
| Proceeds from long-term borrowings | 3,753,646 | 2,777,784 |
| Repayment of long-term borrowings | (2,937,279) | (2,416,016) |
| Decrease in other long-term borrowings | - | (1,999,439) |
| Increase in guarantee deposit | 2,056 | 575 |
| Decrease in guarantee deposit | (2,342) | (59) |
| Cash payment for the principal portion of the lease libailties | (213,890) | (196,884) |
| Cash dividends | (179,651) | (187,175) |
| Proceeds from issuing stock | - | 1,495,878 |
| Change in non-controlling interests | (51,500) | (20,000) |
| Net cash provided by financing activities | 625,298 | 788,889 |
| Effect of exchange rate changes on cash and cash equivalents | 239,427 | (82,449) |
| Net increase (decrease) in cash and cash equivalents | 956,695 | (91,393) |
| Cash and cash equivalents at beginning of period | 898,571 | 989,964 |
| Cash and cash equivalents at end of period | $1,855,266 | $898,571 |

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

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

## I. HISTORY AND ORGANIZATION

TYC BROTHER INDUSTRIAL CO., LTD. (the “Company”) was incorporated under the laws of the Republic of China on Taiwan (the “ROC”) on 9 September 1986. The Company’s registered office and the main business location is at No.72-2, Xinle Rd., Tainan City Taiwan (R.O.C). The Company’s main profitable business projects are the manufacture, trading, import and export of automobiles, motorcycles and other automobile parts and supplies. The Company became a listed company on the Taiwan Stock Exchange on 6 October 1997.

## II. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and subsidiaries (hereinafter referred to as the “Group”) for the years ended 31 December 2022 and 2021 were authorized for issue in accordance with a resolution of the board of directors on 16 March 2023.

## III. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

1. Changes in accounting policies resulting from applying for the first-time certain standards and amendments

   The Group applied for the first-time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2022. The new standards and amendments had no material impact on the Group.

2. Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|---|---|---|
| 1 | Disclosure Initiative - Accounting Policies – Amendments to IAS 1 | 1 January 2023 |
| 2 | Definition of Accounting Estimates – Amendments to IAS 8 | 1 January 2023 |
| 3 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 | 1 January 2023 |

(1) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(2) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(3) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2023. The Group determined that the newly published standards and interpretations have no material impact on the Group.

3. Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|---|---|---|
| 1 | IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures | To be determined by IASB |
| 2 | IFRS 17 “Insurance Contracts” | 1 January 2023 |
| 3 | Classification of Liabilities as Current or Non-current – Amendments to IAS 1 | 1 January 2024 |
| 4 | Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 | 1 January 2024 |
| 5 | Non-current Liabilities with Covenants – Amendments to IAS 1 | 1 January 2024 |

(1) IFRS 10"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(2) IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(3) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(4) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(5) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group determined that the newly published standards and interpretations have no material impact on the Group.

## IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1. Statement of Compliance

The Group's consolidated financial statements for the years ended 31 December 2022 and 2021 were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations"), IFRSs, IASs, IFRIC and SIC, which are endorsed by FSC (TIFRSs).

### 2. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

3. Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

a. power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
b. exposure, or rights, to variable returns from its involvement with the investee
c. the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a. the contractual arrangement with the other vote holders of the investee
b. rights arising from other contractual arrangement
c. the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

a. derecognizes the assets (including goodwill) and liabilities of the subsidiary
b. derecognizes the carrying amount of any non-controlling interest
c. recognizes the fair value of the consideration received
d. recognizes the fair value of any investment retained
e. recognizes any surplus or deficit in profit or loss
f. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss

The consolidated entities are as follows:

| Invest Company | Investee Company | Major business | Percentage of Ownership (%) 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|---|---|
| The Company | TI YUAN INVESTMENT CO., LTD. (TI YUAN) | Marketable securities trading business | 100.00% | 100.00% |
| The Company | TI FU INVESTMENT CO., LTD. (TI FU) | Marketable securities trading business | 100.00% | 100.00% |
| The Company | CONTEK CO., LTD. (CONTEK) | Reinvestment holding activities | 100.00% | 100.00% |
| The Company | SUPRA-ATOMIC CO., LTD. (SUPRA-ATOMIC) | Reinvestment holding activities | 100.00% | 100.00% |
| The Company | TAMAU MANAGEMENT CONSULTANCY CO., LTD. (TAMAU MANAGEMENT) | Management consult | 100.00% | 100.00% |
| The Company | BESTE MOTOR CO., LTD. (BESTE) | Reinvestment holding activities | 100.00% | 100.00% |
| The Company | INNOVA HOLDING CORP. (INNOVA) | Reinvestment holding activities | 100.00% | 100.00% |
| The Company | JUOKU TECHNOLOGY CO., LTD. (JUOKU TECHNOLOGY) | Manufacturing and sale of automobile parts | 72.10% | 72.10% |
| The Company | TYC VIETNAM INDUSTRIAL CO., LTD. (TYCVN) | Manufacture and sale automobile lights | 60.00% | 60.00% |
| TI FU | DBM REFLEX OF TAIWAN CO., LTD.(DBM) | Manufacture tooling mold and international trading business | 50.00% | 50.00% |
| SUPRA-ATOMIC | SPARKING CO., LTD. (SPARKING) | Reinvestment holding activities | 100.00% | 100.00% |
| SUPRA-ATOMIC | UNIMOTOR INDUSTRIAL CO., LTD. (UNIMOTOR) | Reinvestment holding activities | 100.00% | 100.00% |
| SUPRA-ATOMIC | EUROLITE CO., LTD. (EUROLITE) | Reinvestment holding activities | 100.00% | 100.00% |
| SUPRA-ATOMIC | EUROPILOT CO., LTD. (EUROPILOT) | Reinvestment holding activities | 100.00% | 100.00% |

| Invest Company | Investee Company | Major business | Percentage of Ownership (%) 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|---|---|
| SUPRA-ATOMIC | MOTOR-CURIO CO., LTD. (MOTOR-CURIO) | Reinvestment holding activities | 100.00% | 100.00% |
| JUOKU TECHNOLOGY | TSM TECH CO., LTD. (TSM) | Reinvestment holding activities | 100.00% | 100.00% |
| INNOVA | GENERA CORPORATION (GENERA) | Sale of automobile lights and parts | 100.00% | 100.00% |
| INNOVA | W&W REAL PROPERTY, INC. (W&W) | Sale of and rental of real estate | 100.00% | 100.00% |
| UNIMOTOR | CHANGZHOU TAMAO PRECISION INDUSTRY CO., LTD. (TAMAO PRECISION) | Manufacture of precision molds and sale of products. | 100.00% | 100.00% |
| EUROLITE | T.I.T. INTERNATIONAL CO., LTD. (T.I.T.) | Manufacture and sale of lighting fixtures and daily-use product for automobile | 99.98% | 99.98% |
| EUROPILOT | TYC EUROPE B.V. (TYC EUROPE) | Sale of automobile lights | 100.00% | 100.00% |
| SPARKING | KUN SHAN TYC HIGH PERFORMANCE CO., LTD. (KUN SHAN TYC) | Manufacture, process and assemble of various high-efficiency energy-saving lamps and accessories | 100.00% | 100.00% |

The financial statements and other related information of the subsidiaries as of 31 December 2022 and 2021 are based solely on the reports of the other independent accountants. Their total assets amounted to NT$1,596,475 thousand and NT$1,547,689 thousand as of 31 December 2022 and 2021, respectively. Their net operating revenue amounted to NT$2,639,139 thousand and NT$2,489,995 thousand for the years ended 31 December 2022 and 2021, respectively.

4. Foreign currency transactions

The Group's consolidated financial statements are presented in NT$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
(b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

5. Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

(a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
(b) when the retained interest after the partial disposal of an interest in a joint arrangement or partial disposal of an interest in an associate that includes a foreign operation is financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

6. Current and non-current distinction

An asset is classified as current when:
(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(b) The Group holds the asset primarily for the purpose of trading.
(c) The Group expects to realize the asset within twelve months after the reporting period.
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:
(a) The Group expects to settle the liability in its normal operating cycle.
(b) The Group holds the liability primarily for the purpose of trading.
(c) The liability is due to be settled within twelve months after the reporting period.
(d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

7. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial instruments: recognition and measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

A. the Group’s business model for managing the financial assets and
B. the contractual cash flow characteristics of the financial asset.

<u>Financial assets measured at amortized cost</u>

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

A. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

A. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

<u>Financial asset measured at fair value through other comprehensive income</u>

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

   (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
   (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

In addition, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposing of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from the remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
B. the time value of money
C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(3) Derecognition of financial assets

A financial asset is derecognized when:
A. The rights to receive cash flows from the asset have expired
B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(4) Financial liabilities and equity

<u>Classification between liabilities or equity</u>

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
C. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

A. it eliminates or significantly reduces a measurement or recognition inconsistency; or
B. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

9. Derivative instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss except for derivatives that are designated as and effective hedging instruments which are classified as financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value though profit or loss.

10. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(1) In the principal market for the asset or liability, or
(2) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

11. Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:
Raw materials - Purchase cost using weighted-average method.
Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

12. Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction that is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

13. Investments accounted for using the equity method

The Group’s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro-rata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in additional paid-in capital and investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

(1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

14. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

| | |
|---|---|
| Land and improvements | 3～10 years |
| Buildings | 2～60 years |
| Machinery and equipment | 2～15 years |
| Molding equipment | 2～10 years |
| Electrical installations | 5～15 years |
| Transportation equipment | 2～10 years |
| Miscellaneous equipment | 2～15 years |

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

15. Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

(1) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(2) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

<u>Group as a lessee</u>

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(1) fixed payments (including in-substance fixed payments), less any lease incentives receivable
(2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
(3) amounts expected to be payable by the lessee under residual value guarantees
(4) the exercise price of a purchase option if the Group is reasonably certain to exercise that option
(5) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

After the commencement date, the Group measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(1) the amount of the initial measurement of the lease liability
(2) any lease payments made at or before the commencement date, less any lease incentives received
(3) any initial direct costs incurred by the lessee
(4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Group elected not to assess whether it was a lease modification but accounted it as a variable lease payment and the practical expedient had been applied to such rent concessions.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

16. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss when the asset is derecognized.

Patent, trademark rights and others

The cost of patent, trademark rights and others is amortized on a straight-line basis over the legal period (1～25 years).

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (1～5 years).

17. Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

18. Treasury shares

The Group's equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

19. Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

<u>Sale of goods</u>

The Group manufactures and sells products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main products of the Group are automobile lights and parts; the revenue is recognized based on the consideration stated in the contract.

The credit period of the Group’s sale of goods is from 30-120 day terms. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

20. Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

21. Government subsidies

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

22. Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee’s name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group’s consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur.

Past service costs are recognized in profit or loss on the earlier of:
(1) the date of the plan amendment or curtailment, and
(2) the date that the Group recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

23. Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders’ meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

24. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 *Financial Instruments* either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured by cost less any accumulated impairment losses. Goodwill arising from a business combination is allocated to each cash-generating units that is expected to benefit from the merge from the date of acquisition, regardless of whether other assets or liabilities of the acquiree are attributed to these cash-generating units. Each unit or group representative of the allocated goodwill is the lowest level of goodwill for internal management purposes, and is not greater than the operating department before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

## V. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### Estimation and assumptions

The key assumptions concerning the future and other key sources for estimating uncertainty at the reporting date, that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

(1) Fair value of financial instruments
Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example the discounted cash flow model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(2) Accounts receivables–estimate of impairment loss
The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(3) Inventory
Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made.

(4) Pension benefits
The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination rate, expected salary raise, cut or changes. For a detailed explanation of the assumptions used to measure the cost of defined benefits and defined benefits obligations, please refer to Note 6.

(5) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

## Ⅵ. CONTENTS OF SIGNIFICANT ACCOUNTS

1. Cash and Cash Equivalents

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Cash on hand and petty cash | $4,165 | $5,300 |
| Saving account | 1,620,278 | 777,570 |
| Time deposits | 66,220 | 23,552 |
| Investments in bonds with resale agreements - corporate bonds | 164,603 | 92,149 |
| Total | $1,855,266 | $898,571 |

2. Financial assets at fair value through profit or loss

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Mandatorily measured at fair value through profit or loss: | | |
| Derivatives not designated as hedging instruments | | |
| Forward currency contracts | $- | $1,034 |
| | | |
| Current | $- | $1,034 |

The Group's financial assets measured at fair value through profit or loss were not pledged as collateral.

3. Financial assets at fair value through other comprehensive income

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Equity instrument investments measured at fair value through other comprehensive income – non-current | | |
| Listed companies' stocks | $102,492 | $108,655 |
| Unlisted companies' stocks | 214,494 | 119,771 |
| Total | $316,986 | $228,426 |

The Group's financial assets measured at fair value through other comprehensive income were not pledged as collateral.

For equity instrument investments measured at fair value through other comprehensive income, the Group recognized dividends in the amount of NT$4,129 thousand and NT$2,761 thousand for the year ended 31 December 2022 and 2021, which were the fully related to investments held at the end of the reporting period.

4. Financial assets measured at amortized cost

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Time deposits | $83,388 | $168,453 |
| | | |
| Current | $83,388 | $168,453 |

Financial assets measured at amortized cost were not pledged.

The Group classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 6.(18) for more details on loss allowance and Note 12 for more details on credit risk.

5. Notes receivables and notes receivables-related parties

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Notes receivables | $13,597 | $24,041 |
| Less: allowance for doubtful accounts | (37) | (81) |
| Subtotal | 13,560 | 23,960 |
| Notes receivables-related parties | 1,683 | 20,356 |
| Less: allowance for doubtful accounts | (7) | (55) |
| Subtotal | 1,676 | 20,301 |
| Total | $15,236 | $44,261 |

Notes receivables were not pledged as collateral.

The Group adopted IFRS 9 for impairment assessment. Please refer to Note 6.(18) for more details on loss allowance and Note 12 for more details on credit risk.

6. Accounts receivables and accounts receivables-related parties

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Accounts receivables | $3,561,938 | $2,881,409 |
| Less: allowance for doubtful accounts | (238,030) | (242,608) |
| Subtotal | 3,323,908 | 2,638,801 |
| Accounts receivables-related parties | 117,426 | 100,954 |
| Less: allowance for doubtful accounts | (4,235) | (3,980) |
| Subtotal | 113,191 | 96,974 |
| Total | $3,437,099 | $2,735,775 |

Please refer to Note 8 for more details on notes receivables under pledge.

Trade receivables are generally on 30-120 day terms. Accounts receivables amounted to NT$ 3,694,644 thousand and NT$3,026,760 thousand as at 31 December 2022 and 2021, respectively.

Please refer to Note 6.(18) for more details on impairment of trade receivables for the year ended 31 December 2022 and 2021 and please refer to Note 12 for credit risk.

7. Inventories

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Raw materials | $915,620 | $897,325 |
| Work in process | 274,549 | 283,079 |
| Finished goods | 3,831,008 | 3,689,561 |
| Merchandise | 959,934 | 709,129 |
| Net | $5,981,111 | $5,579,094 |

The Group’s cost of inventories recognized in expenses amounted to NT$15,023,323 thousand and NT$13,569,218 thousand for the year ended 31 December 2022 and 2021, respectively, including gain from price recovery of inventories in the amount of NT$ 90 thousand and the inventory scrapping loss caused by the disposal of some sluggish inventories in the amount of NT$55,834 thousand for the years ended 31 December 2022 and 2021, respectively. The reversal of write-down was because of circumstances that caused the net realizable value of inventory to be lower than its cost no longer existed.

Please refer to Note 8 for more details on inventories under pledge.

8. Investments accounted for under the equity method

Details are as follows:

| Investee Company | 31 Dec. 2022 Amount | 31 Dec. 2022 Percentage of ownership | 31 Dec. 2021 Amount | 31 Dec. 2021 Percentage of ownership |
|---|---|---|---|---|
| Investments in the associates： | | | | |
| I YUAN PRECISION INDUSTRIAL CO., LTD | $261,882 | 18.17% | $236,759 | 18.17% |
| JNS AUTO PARTS LIMITED | 176,415 | 20.00% | 160,187 | 20.00% |
| CHIN-LI-MA HIGHT PERFORMANCE LUMINAIRE CO., LTD. | - | 30.00% | - | 30.00% |
| HANGZHOU SUNNYTECH CO., LTD. | 11,036 | 30.00% | 10,758 | 30.00% |
| ATECH INTERNATIONAL CO., LTD. | 43,943 | 25.00% | 54,475 | 25.00% |
| Subtotal | 493,276 | | 462,179 | |
| Investment in jointly controlled entities： | | | | |
| PT ASTRA JUOKU INDONESIA | 214,030 | 50.00% | 166,913 | 50.00% |
| VARROC TYC CORPORATION | 1,383,116 | 50.00% | 1,336,414 | 50.00% |
| Subtotal | 1,597,146 | | 1,503,327 | |
| Total | $2,090,422 | | $1,965,506 | |

(1) Investments in associates

The Group’s investments in associates are not individually material. The aggregate carrying amounts of the Group’s interests in associates were NT$493,276 thousand and NT$462,179 thousand as at 31 December 2022 and 2021, respectively. The aggregate financial information of the Group’s investments in associates was as follows:

| | 2022 | 2021 |
|---|---|---|
| Profit or loss from continuing operations | $54,677 | $32,091 |
| Other comprehensive income (post-tax) | 3,678 | 1,920 |
| Total comprehensive income | $58,355 | $34,011 |

The associates had no contingent liabilities or capital commitments as at 31 December 2022 and 2021.

(2) Investments in joint venture

①Information on the material joint venture of the Group:

Company name: VARROC TYC CORPORATION (VARROC)

Nature of relationship with the joint venture: VARROC engages in reinvestment holding activities. Its subsidiary, VARROC TYC AUTO LAMPS CO., LTD. (VTYC) engages in manufacture and sale of lighting fixtures and daily-use product for automobiles.

Principal place of business (country of incorporation)：CHINA

Fair value of the investment in the joint venture when there is a quoted market price for the investment: VARROC TYC is an unlisted entity.

Reconciliation of the joint venture’s aggregate financial information presented to the carrying amount of the Group’s interest in the joint venture:

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Current assets | $3,130,787 | $3,300,989 |
| Non-current assets | 2,091,513 | 2,855,016 |
| Current liabilities | (2,216,149) | (3,377,731) |
| Non-current liabilities | (239,919) | (105,425) |
| Equity | 2,766,232 | 2,672,849 |
| Proportion of the Group’s ownership | 50% | 50% |
| Subtotal | 1,383,116 | 1,336,424 |
| Eliminations from intercompany transactions | - | (10) |
| Carrying amount of the investment | $1,383,116 | $1,336,414 |

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Cash and cash equivalents | $336,907 | $572,991 |
| Current financial liabilities excluding trade and other payables and provisions | (244,611) | (176,201) |
| Non-current financial liabilities excluding trade and other payables and provisions | (88,950) | (43,507) |

| | 2022 | 2021 |
|---|---|---|
| Operating revenue | $4,052,400 | $5,170,314 |
| Depreciation expense | 219,645 | 210,271 |
| Amortization expense | 163,485 | 133,581 |
| Interest income | 5,797 | 7,611 |
| Interest expense | 18,011 | 5,970 |
| Income tax expense or income | (38,967) | (56,735) |
| Profit or loss from continuing operations | 33,723 | 59,100 |
| Other comprehensive income | 23,865 | 13,215 |
| Total comprehensive income | 57,588 | 72,315 |

The joint venture had no contingent liabilities or capital commitments as at 31 December 2022, and 2021. VTYC cannot distribute its profits until it obtains the consent from the two venture partners.

②The Group's investments in PT ASTRA JUOKU INDONESIA are not individually material. The aggregate carrying amounts of the Group's interests in PT ASTRA JUOKU INDONESIA were NT$214,030 thousand and NT$166,913 thousand, as at 31 December 2022 and 2021, respectively. The aggregate financial information of the Group's investments in PT ASTRA JUOKU INDONESIA was as follows:

| | 2022 | 2021 |
|---|---|---|
| Profit or loss from continuing operations | $45,814 | $10,243 |
| Other comprehensive income (post-tax) | 751 | (3,376) |
| Total comprehensive income | $46,565 | $6,867 |

The joint venture had no contingent liabilities or capital commitments as at 31 December 2022 and 2021. PT ASTRA JUOKU INDONESIA cannot distribute its profits until it obtains the consent from the two venture partners.

③We did not audit the financial statements of certain associates and joint ventures accounted for using the equity method. Those associates and joint ventures under equity method amounted to NT$214,030 thousand and NT$166,913 thousand, as at 31 December 2022 and 2021, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT$45,814 thousand and NT$10,243 thousand, for the years ended 31 December 2022 and 2021, respectively, and the related shares of other comprehensive income from the associates and joint ventures accounted for using the equity method amounted to NT$751 thousand and NT$(3,376) thousand, for the years ended 31 December 2022 and 2021, respectively.

9. Property, plant and equipment

Owner occupied property, plant and equipment

| | Land | Land and improvement | Buildings | Machinery and equipment | Molding equipment | Electrical equipment | Transportation equipment | Miscellaneous equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | | | |
| 1 Jan. 2022 | $987,308 | $12,981 | $3,618,499 | $2,381,099 | $9,781,798 | $300,691 | $215,605 | $1,134,214 | $7,971 | $18,440,166 |
| Addition | 11,507 | - | 21,657 | 129,984 | 1,242,472 | 3,143 | 7,810 | 56,912 | 8,506 | 1,481,991 |
| Disposal | (127) | - | (2,181) | (45,783) | (893,414) | - | (5,976) | (11,846) | - | (959,327) |
| Other | - | - | 13,200 | 290 | 116 | - | - | - | (13,606) | - |
| Exchange difference | 7,176 | 205 | 36,696 | 23,886 | 12,120 | 956 | 1,077 | 19,361 | 539 | 102,016 |
| 31 Dec. 2022 | $1,005,864 | $13,186 | $3,687,871 | $2,489,476 | $10,143,092 | $304,790 | $218,516 | $1,198,641 | $3,410 | $19,064,846 |
| 1 Jan. 2021 | $992,938 | $18,099 | $3,384,418 | $2,427,836 | $9,808,353 | $301,770 | $214,971 | $1,095,146 | $237,944 | $18,481,475 |
| Addition | - | - | 6,809 | 48,270 | 934,907 | 766 | 3,237 | 34,002 | 11,276 | 1,039,267 |
| Disposal | - | - | (1,156) | (85,288) | (939,512) | - | (3,828) | (10,946) | - | (1,040,730) |
| Other | - | (4,773) | 236,832 | 9,274 | - | - | 2,084 | 32,798 | (244,316) | 31,899 |
| Exchange difference | (5,630) | (345) | (8,404) | (18,993) | (21,950) | (1,845) | (859) | (16,786) | 3,067 | (71,745) |
| 31 Dec. 2021 | $987,308 | $12,981 | $3,618,499 | $2,381,099 | $9,781,798 | $300,691 | $215,605 | $1,134,214 | $7,971 | $18,440,166 |
| | | | | | | | | | | |
| Depreciation and impairment:： | | | | | | | | | | |
| 1 Jan. 2022 | $- | $7,785 | $1,397,932 | $1,791,264 | $6,241,490 | $196,024 | $123,716 | $757,706 | $- | $10,515,917 |
| Depreciation | - | 740 | 133,822 | 149,835 | 1,017,613 | 13,166 | 18,043 | 90,054 | - | 1,423,273 |
| Disposal | - | - | (2,181) | (40,225) | (894,493) | - | (5,970) | (10,649) | - | (953,518) |
| Exchange difference | - | 205 | 17,371 | 18,175 | 11,853 | 950 | 989 | 12,920 | - | 62,463 |
| 31 Dec. 2022 | $- | $8,730 | $1,546,944 | $1,919,049 | $6,376,463 | $210,140 | $136,778 | $850,031 | $- | $11,048,135 |
| 1 Jan. 2021 | $- | $8,434 | $1,260,873 | $1,734,688 | $6,171,820 | $185,414 | $109,227 | $680,783 | $- | $10,151,239 |
| Depreciation | - | 740 | 138,648 | 149,991 | 1,029,931 | 12,686 | 18,419 | 100,026 | - | 1,450,441 |
| Disposal | - | - | (1,004) | (77,941) | (938,322) | - | (3,104) | (10,908) | - | (1,031,279) |
| Other | - | (989) | 8,959 | 1,420 | - | (229) | - | 1,937 | - | 11,098 |
| Exchange difference | - | (400) | (9,544) | (16,894) | (21,939) | (1,847) | (826) | (14,132) | - | (65,582) |
| 31 Dec. 2021 | $- | $7,785 | $1,397,932 | $1,791,264 | $6,241,490 | $196,024 | $123,716 | $757,706 | $- | $10,515,917 |
| | | | | | | | | | | |
| Net book value: | | | | | | | | | | |
| 31 Dec. 2022 | $1,005,864 | $4,456 | $2,140,927 | $570,427 | $3,766,629 | $94,650 | $81,738 | $348,610 | $3,410 | $8,016,711 |
| 31 Dec. 2021 | $987,308 | $5,196 | $2,220,567 | $589,835 | $3,540,308 | $104,667 | $91,889 | $376,508 | $7,971 | $7,924,249 |

The amounts of capitalized interests and interest rates are as follows:

| Items | 2022 | 2021 |
|---|---|---|
| Construction in progress and prepayment for equipment | $10,308 | $9,483 |
| The interest rate interval of borrowing cost capitalization | 0.70%~1.51% | 0.73%~0.97% |

The material components of the Group's building that have different useful lives are the main buildings and factories, which are depreciated based on the useful lives of 60 years and 35 years, respectively.

The material components of equipment are mainly the processing equipment, and are depreciated based on the useful lives of 10 years.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

10. Intangible assets

| | Trademark right | Patent | Goodwill | Software | Other intangible assets | Total |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| 1 Jan. 2022 | $12,317 | $11,862 | $10,174 | $204,272 | $48,713 | $287,338 |
| Addition - acquired separately | 810 | 1,571 | - | 27,246 | 5,163 | 34,790 |
| Decrease | (960) | (314) | - | (40,548) | (4,809) | (46,631) |
| Exchange differences | - | - | - | 472 | - | 472 |
| 31 Dec. 2022 | $12,167 | $13,119 | $10,174 | $191,442 | $49,067 | $275,969 |
| 1 Jan. 2021 | $11,947 | $10,226 | $10,174 | $195,602 | $61,615 | $289,564 |
| Addition - acquired separately | 885 | 2,058 | - | 15,636 | 4,688 | 23,267 |
| Decrease | (515) | (422) | - | (7,194) | (17,590) | (25,721) |
| Exchange differences | - | - | - | 228 | - | 228 |
| 31 Dec. 2021 | $12,317 | $11,862 | $10,174 | $204,272 | $48,713 | $287,338 |
| | | | | | | |
| Amortization and impairment: | | | | | | |
| 1 Jan. 2022 | $6,698 | $3,286 | $- | $168,752 | $36,759 | $215,495 |
| Amortization | 1,542 | 971 | - | 25,939 | 7,927 | 36,379 |
| Decrease | (960) | (233) | - | (40,548) | (4,809) | (46,550) |
| Exchange differences | - | - | - | 347 | - | 347 |
| 31 Dec. 2022 | $7,280 | $4,024 | $- | $154,490 | $39,877 | $205,671 |
| 1 Jan. 2021 | $5,538 | $2,752 | $- | $144,847 | $45,754 | $198,891 |
| Amortization | 1,675 | 956 | - | 30,936 | 8,595 | 42,162 |
| Decrease | (515) | (422) | - | (7,194) | (17,590) | (25,721) |
| Exchange differences | - | - | - | 163 | - | 163 |
| 31 Dec. 2021 | $6,698 | $3,286 | $- | $168,752 | $36,759 | $215,495 |
| | | | | | | |
| Net book value: | | | | | | |
| 31 Dec. 2022 | $4,887 | $9,095 | $10,174 | $36,952 | $9,190 | $70,298 |
| 31 Dec. 2021 | $5,619 | $8,576 | $10,174 | $35,520 | $11,954 | $71,843 |

The Group did not recognize impairment losses of goodwill in 2022 and 2021.

The recognized expense of intangible assets measured at amortized cost under the statement of comprehensive income is as follows:

| | 2022 | 2021 |
|---|---|---|
| Operating cost | $15,471 | $16,118 |
| Operating expense | 20,908 | 26,044 |
| Total | $36,379 | $42,162 |

11. Short-term borrowings

| | Interest rate | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|---|
| Unsecured Loans | 1.52%~6.78% | $999,156 | $1,591,558 |
| Secured Loans | 6.30% | 1,258,065 | 318,411 |
| Total | | $2,257,221 | $1,909,969 |

Please refer to Note 8 for the detail of the assets including land, buildings, part of accounts receivables and inventories pledged as collateral.

12. Short-term notes and bills payable

| | 31 Dec. 2022 | | |
|---|---|---|---|
| Guarantors | Interest rate | Amount | Pledge or Collateral |
| Commercial paper payable | | | |
| International Bills Finance Corporation | 1.81%~2.16% | $350,000 | none |
| Dah Chung Bills Finance Corporation | 1.71%~1.84% | 250,000 | none |
| Subtotal | | 600,000 | |
| Less: Discount of commercial paper payable | | (76) | |
| Net | | $599,924 | |

| | 31 Dec. 2021 | | |
|---|---|---|---|
| Guarantors | Interest rate | Amount | Pledge or Collateral |
| Commercial paper payable | | | |
| International Bills Finance Corporation | 0.85% | $170,000 | none |
| Mega Bills Finance Corporation | 0.85% | 160,000 | none |
| Dah Chung Bills Finance Corporation | 0.84% | 150,000 | none |
| China Bills Finance Corporation | 0.84% | 160,000 | none |
| Subtotal | | 640,000 | |
| Less: Discount of commercial paper payable | | (192) | |
| Net | | $639,808 | |

13. Financial liabilities at fair value through profit or loss

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Held for trading: | | |
| Derivatives not designated as hedging instruments | | |
| Forward exchange agreement | $5,046 | $- |
| Cross currency swaps agreement | - | 3,577 |
| Total | $5,046 | $3,577 |
| | | |
| Current | $5,046 | $3,577 |

14. Long-term borrowings

Details are as follows:

| | 31 Dec. 2022 | | |
|---|---|---|---|
| Creditors | Amount | Interest rate | Redemption |
| First Bank | $750,000 | 1.08% | From 1 Jul. 2019 to 15 Sep. 2026. Principal are repaid monthly, starting from 17 Oct. 2022, and interests are repaid monthly. |
| First Bank | 300,000 | 1.88% | From 28 Jul. 2022 to 28 Jul. 2024. Interests are repaid monthly and bullet repayment on expiry date. |
| First Bank | 100,000 | 1.88% | From 28 Jul. 2022 to 28 Jul. 2024. Interests are repaid monthly and bullet repayment on expiry date. |
| Chang Hwa Bank | 674,699 | 1.13% | From 9 Aug. 2019 to 15 Aug. 2029. Principal are repaid monthly, starting from 17 Oct. 2022, and interests are repaid monthly. |
| Bank of Taiwan | 200,000 | 1.90% | From 6 Jul. 2022 to 6 Jul. 2024. After applying for each drawdown within the credit line, each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| Bank of Taiwan | 450,000 | 1.35% | From 6 Jul. 2021 to 15 Jun. 2026. The grace period is 2 years. Principal are repaid monthly, and interests are repaid monthly. |

| | 31 Dec. 2022 | | |
|---|---|---|---|
| Creditors | Amount | Interest rate | Redemption |
| DBS Bank | 264,000 | 1.35%~1.37% | From 6 Nov. 2019 to 15 Oct. 2024. Principal are repaid monthly, starting from 17 Oct. 2022, and interests are repaid monthly. |
| DBS Bank | 300,000 | 1.85% | From 14 Apr. 2022 to 14 Apr. 2024. After applying for each drawdown within the credit line, pay off all principal and interest payable of each drawn down facility on the expiry date of each principal loan. |
| Yuanta Bank | 550,000 | 1.40% | From 5 Oct. 2022 to 5 Oct. 2024. Each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| Hua Nan Bank | 500,000 | 1.09%~1.29% | From 24 Jul. 2020 to 24 Jul. 2025. Principal are repaid monthly, starting from 15 Aug. 2023, and interests are repaid monthly. |
| Taipei Fubon Bank | 350,000 | 1.75% | From 26 Sep. 2022 to 26 Sep. 2024. Each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| CTBC Bank | 350,000 | 1.70% | From 31 May. 2022 to 31 May. 2024. Each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| Bank Sinopac | 80,000 | 1.68% | From 22 Jun. 2022 to 30 Jun. 2024. Interests are repaid monthly and bullet repayment on expiry date. |
| Mizuho Bank | 900,000 | 1.85% | From 20 Nov. 2022 to 20 Nov. 2024. Each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| Mega Bank | 200,000 | 1.96% | From 14 Jun. 2022 to 13 Jun. 2024. Interests are repaid monthly and bullet repayment on expiry date. |

| | 31 Dec. 2022 | | |
|---|---|---|---|
| Creditors | Amount | Interest rate | Redemption |
| First Bank | 322,608 | 2.06% | From 27 Dec. 2016 to 27 Dec. 2031. Principal are repaid by 52 quarterly payments, starting from 27 Dec. 2018 to the maturity date. Interests are repaid monthly. |
| First Bank | 180,000 | 2.10% | From 20 Dec. 2022 to 20 Dec. 2024. Interests are repaid monthly and bullet repayment on expiry date. |
| First Bank | 320,000 | 1.80%~2.23% | From 20 Dec. 2022 to 20 Dec. 2024. Interests are repaid monthly and bullet repayment on expiry date. |
| Hua Nan Bank | 80,000 | 1.70%~2.20% | From 7 Dec. 2021 to 7 Dec. 2023. Interests are repaid monthly and bullet repayment on expiry date. |
| Yuanta Bank | 180,000 | 1.62% | From 30 Nov. 2021 to 29 Nov. 2023. Interests are repaid monthly and bullet repayment on expiry date. |
| Mega Bank | 70,000 | 1.95% | Form 10 Aug. 2021 to 10 Aug. 2026. The grace period of 2 years. Principal are repaid monthly, and interests are repaid monthly. |
| California Bank & Trust (CBT) | 70,550 (USD 2,299 thousand) | 3.35% | Form 1 Jul. 2021 to 30 Jun. 2028. Principal are repaid monthly, and interests are repaid monthly. |
| Subtotal | 7,191,857 | | |
| Less: current portion | (669,868) | | |
| Total | $6,521,989 | | |

| | 31 Dec. 2021 | | |
|---|---|---|---|
| Creditors | Amount | Interest rate | Redemption |
| First Bank | $800,000 | 0.45% | From 1 Jul. 2019 to 15 Sep. 2026. Principal are repaid monthly, starting from 17 Oct. 2022, and interests are repaid monthly. |

| | 31 Dec. 2021 | | |
|---|---|---|---|
| Creditors | Amount | Interest rate | Redemption |
| First Bank | 300,000 | 0.90% | From 16 Aug. 2021 to 16 Aug. 2023. Interests are repaid monthly and bullet repayment on expiry date. |
| Chang Hwa Bank | 700,000 | 0.50% | From 9 Aug. 2019 to 15 Aug. 2029. Principal are repaid monthly, starting from 17 Oct. 2022, and interests are repaid monthly. |
| Bank of Taiwan | 200,000 | 0.90% | From 6 Jul. 2021 to 6 Jul. 2023. After applying for each drawdown within the credit line, each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| Bank of Taiwan | 450,000 | 0.72% | Form 6 Jul. 2021 to 15 Jun. 2026. The grace period of 2 years. Principal are repaid monthly, and interests are repaid monthly. |
| DBS Bank | 300,000 | 0.57% | From 6 Nov. 2019 to 15 Oct. 2024. Principal are repaid monthly, starting from 17 Oct. 2022, and interests are repaid monthly. |
| DBS Bank | 270,000 | 0.85% | From 14 Apr. 2021 to 14 Apr. 2023. After applying for each drawdown within the credit line, pay off all principal and interest payable of each drawn down facility on the expiry date of each principal loan. |
| KGI Bank | 200,000 | 0.89% | From 29 Dec. 2021 to 10 Jan. 2024. Interests are repaid monthly and bullet repayment on expiry date. |
| Yuanta Bank | 550,000 | 0.85% | From 27 Aug. 2021 to 27 Aug. 2023. Each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| Hua Nan Bank | 500,000 | 0.46%~0.66% | From 24 Jul. 2020 to 24 Jul. 2025. Principal are repaid monthly, starting from 15 Aug. 2023, and interests are repaid monthly. |
| Hua Nan Bank | 100,000 | 0.88% | From 5 Feb. 2021 to 5 Feb. 2023. Interests are repaid monthly and bullet repayment on expiry date. |

| | 31 Dec. 2021 | | |
|---|---|---|---|
| Creditors | Amount | Interest rate | Redemption |
| Taipei Fubon Bank | 350,000 | 0.85% | From 26 Sep. 2021 to 26 Sep. 2023. Each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| First Bank | 358,456 | 1.38% | From 27 Dec. 2016 to 27 Dec. 2031. Principal are repaid by 52 quarterly payments, starting from 27 Dec. 2018 to the maturity date. Interests are repaid monthly. |
| First Bank | 445,000 | 1.25%~1.27% | From 26 Nov. 2021 to 20 Dec. 2023. Interests are repaid monthly and bullet repayment on expiry date. |
| Hua Nan Bank | 80,000 | 1.27% | From 7 Dec. 2021 to 7 Dec. 2022. Interests are repaid monthly and bullet repayment on expiry date. |
| Bank Sinopac | 150,000 | 1.35% | From 29 Jun. 2021 to 29 Jun. 2023. Interests are repaid monthly and bullet repayment on expiry date. |
| Yuanta Bank | 180,000 | 1.30% | From 30 Nov. 2021 to 29 Nov. 2023. Interests are repaid monthly and bullet repayment on expiry date. |
| Mega Bank | 70,000 | 1.32% | Form 10 Aug. 2021 to 10 Aug. 2026. The grace period of 2 years. Principal are repaid monthly, and interests are repaid monthly. |
| Chang Hwa Bank | 50,000 | 1.25% | From 27 Dec. 2021 to 26 Dec. 2023. Interests are repaid monthly and bullet repayment on expiry date. |
| California Bank & Trust (CBT) | 65,387 (USD 2,362 thousand) | 3.35% | Form 1 Jul. 2021 to 30 Jun. 2028. Principal are repaid monthly, and interests are repaid monthly. |
| DBS Bank | 249,570 (USD 9,000 thousand) | 0.60% | From 14 Apr. 2021 to 14 Apr. 2023. After applying for each drawdown within the credit line, each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| Subtotal | 6,368,413 | | |
| Less: current portion | (151,077) | | |
| Total | $6,217,336 | | |

Note:

(1) On 1 Jul. 2021, California Bank & Trust (CBT) offered credit line of USD 2,387 thousand to W&W REAL PROPERTY, INC. from the execution date of and for the duration of the contract, the calculation of the financial ratios shall be based on the information recorded in the borrower's latest certified financial report or audit report and shall comply with the financial ratios as follows: Debt service coverage ratio shall be no less than 1.25.

(2) In 2019, the Group financed with designated banks in accordance with the "Project Loan Guidelines to Welcoming Overseas Taiwanese Businesses Return to Invest in Taiwan", and entered into contract terms and normative matters, and completed them in accordance with the approval letter.

(3) JUOKU TECHNOLOGY CO., LTD. re-signed a loan agreement with Yuanta Bank on 27 December 2022. The period of the loan agreement starts from 11 Jan. 2023 to 11 Jan. 2025.

15. Post-Employment Benefits

Defined contribution plan

The Group adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the Mainland China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended 31 December 2022 and 2021 were NT$72,313 thousand and NT$70,880 thousand, respectively.

Defined benefits plan

The Group adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Group contributes an amount equivalent to 2%～3% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Group make estimates of the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the following year, the Group will make up the difference in one appropriation before the end of March of the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under a mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes control and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury funds can be used to cover the deficits after the approval of the competent authority. As the Group does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with IAS 19. The Group expects to contribute NT$34,912 thousand to its defined benefit plan during the 12 months beginning after 31 December 2022.

The defined benefit obligations were expected to mature in 2023 to 2039 and 2027 to 2040 as of 31 December 2022 and 2021, respectively.

Pension costs recognized in profit or loss are as follows:

| | 2022 | 2021 |
|---|---|---|
| Current service cost | $2,144 | $2,977 |
| Net interest on the net defined benefit liabilities | 1,402 | 867 |
| Settlements from the plan | - | - |
| Total | $3,546 | $3,844 |

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

| | 31 Dec. 2022 | 31 Dec. 2021 | 1 Jan. 2021 |
|---|---|---|---|
| Defined benefit obligation | $443,233 | $465,362 | $503,471 |
| Plan assets at fair value | (306,505) | (247,091) | (232,763) |

| | | | |
|---|---|---|---|
| Net defined benefit liabilities | $136,728 | $218,271 | $270,708 |

Reconciliations of liabilities (assets) of the defined benefit plan are as follows:

| | Defined benefit obligation | Plan assets at fair value | Net defined benefit liabilities (assets) |
|---|---|---|---|
| As of 1 January 2021 | $503,471 | $(232,763) | $270,708 |
| Pension costs recognized in profit or loss： | | | |
| Current service cost | 2,977 | - | 2,977 |
| Interest expenses (income) | 1,625 | (758) | 867 |
| Subtotal | 4,602 | (758) | 3,844 |
| Remeasurements of the defined benefit liabilities/assets: | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | (2,311) | - | (2,311) |
| Actuarial gains and losses arising from changes in financial assumptions | (18,619) | - | (18,619) |
| Experience adjustments | 3,340 | - | 3,340 |
| Remeasurements of the defined benefit assets | - | (3,680) | (3,680) |
| Subtotal | (17,590) | (3,680) | (21,270) |
| Payment of benefit obligation | (25,121) | 25,121 | - |
| Contribution by employer | - | (35,011) | (35,011) |
| As of 31 December 2021 | 465,362 | (247,091) | 218,271 |
| Pension costs recognized in profit or loss： | | | |
| Current service cost | 2,144 | - | 2,144 |
| Interest expenses (income) | 3,021 | (1,619) | 1,402 |
| Subtotal | 5,165 | (1,619) | 3,546 |
| Remeasurements of the defined benefit liabilities/assets: | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | 368 | - | 368 |
| Actuarial gains and losses arising from changes in financial assumptions | (3,070) | - | (3,070) |
| Experience adjustments | (9,580) | - | (9,580) |
| Remeasurements of the defined benefit assets | - | (18,986) | (18,986) |
| Subtotal | (12,282) | (18,986) | (31,268) |
| Payment of benefit obligation | (15,012) | 15,012 | - |
| Contribution by employer | - | (53,821) | (53,821) |
| As of 31 December 2022 | $443,233 | $(306,505) | $136,728 |

The principal assumptions used in determining the Group's defined benefit plan are shown below:

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Discount rate | 1.04%~1.47% | 0.64%~0.87% |
| Expected rate of salary increase | 0.50%~3.00% | 0.50%~3.00% |

A sensitivity analysis for significant assumption as at 31 December 2022 and 2021 was, as shown below:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Defined benefit obligations increase | Defined benefit obligations decrease | Defined benefit obligations increase | Defined benefit obligations decrease |
| Discount rate increase by 0.5% | $- | $(2,483) | $- | $(3,503) |
| Discount rate decrease by 0.5% | 5,418 | - | 28,395 | - |
| Rate of future salary increase by 0.5% | 5,291 | - | 55,539 | - |
| Rate of future salary decrease by 0.5% | - | (2,268) | - | (3,210) |

The sensitivity analysis above was based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analysis compared to the previous period.

16. Equity

(1) Common stock

As of 31 December 2022 and 2021, TYC BROTHER INDUSTRIAL CO., LTD.'s authorized and issued capital was both NT$4,000,000 thousand with a par value at NT$10 per share, accounting to 400,000 thousand common shares. Its ordinary share capital amounted to $3,128,979 with 312,898 thousand common shares. It also issued preferred shares capital in the amount of $300,000, divided into 30,000 thousand shares.

Preferred stock

On 25 March 2021, the Company's board of directors resolved to increase capital by issuing preference shares A, which was approved by the FSC under a letter dated 26 May 2021. The record date of capital increase was set as 5 August 2021. The Company was expected to issue 30,000 thousand shares with a par value of NT$10 per share at the issue price of NT$50 per share. The right and obligation of this issue are as follows:

A. Maturity date: No maturity date. The preferred shareholders have no rights to request the Company to buy back preferred share A. The Company has rights to buy back all or part of the preferred share A as of five years after the issue date. The preferred shares still outstanding will retain the aforementioned rights and obligations. If the Company pays out dividends in the year of buyback, the dividend amount will be prorated based on the outstanding days.

B. Dividends: The dividend yield of the preferred share A is 4% (annual rate), (5-year interest rate swap (IRS) rate, 0.64275% + fixed rate, 3.35725%) and calculated at the issue price per share. The five-year IRS rate will be reset on the next business day five years after the issue date and every five years thereafter. The record date of the reset is two business days of financial institutions in Taipei prior to the reset date. The five-year IRS rate is the arithmetic mean of the offer prices of Reuter's TAIFXIRS and COSMOS3 at 11 a.m. on the record date of the reset (business day of financial institutions in Taipei). If the aforesaid offer prices are unavailable on the record date of the reset, the five-year IRS rate shall be determined by the Company based on the principle of good faith and reasonable market conditions.

C. Dividend payment: The dividends of preferred share A are fully distributed in cash every year. After the financial statements are adopted in an annual general meeting, the board of directors shall authorize the chairman to set the record date for paying the preferred share dividends of the previous year. The number of dividends issued in the year of issue and in the year of redemption is calculated based on the actual number of days of issue in the current year.

D. The Company shall apply the current year's earnings, if any, to pay for taxes as stipulated by laws and regulations, offset accumulated losses of previous years, and allocate 10% as legal reserve pursuant to laws and regulations. Special reserve shall be set aside or reversed from net shareholder's equity reduction in current or accumulative in prior years in accordance with related regulations. The remaining earnings along with the accumulated unappropriated earnings in prior years as shareholders' bonus shall be appropriated as preferred share dividends in accordance with the Article 7-1, Articles of Incorporation.

E. The Company has discretion over the distribution of preferred stock dividends. If the Company does not generate any or sufficient profits during the year for the distribution of preferred stock dividends, it may resolve not to pay out the dividends and preferred stockholders have no rights to object. The board of directors shall propose a surplus earnings distribution in accordance with Article 32-1, Articles of Incorporation to be adopted by the annual general meeting. After the surplus earnings distribution is adopted, the distributable amount of preferred share and common shares shall be distributed to preferred shares first.

F. The preferred shares A issued are non-cumulative. That is, the undistributed dividends or shortages in dividends distributed shall not be accumulated and paid in subsequent years when profits are generated.

G. Participating privilege: The shareholders of preferred share A are not entitled to cash-settled or share dividends derived from earnings or capital reserve.

H. Distribution of residual property: Shareholders of preferred share A have a higher claim to the Company's residual properties than common stockholders. Different types of preferred shares issued by the Company grant holders the same rights to claims, and the shareholders of preferred share A stay subordinate to general creditors. The amount that the shareholders of preferred share A are entitled to is capped at the product of number of outstanding preferred shares at the time of distribution and issuance price.

I. Voting rights: Shareholders of preferred share A have neither voting nor election rights. However, they may be elected as directors. They have voting rights in preferred shareholders' meetings or with respect to agendas associated with the rights and obligations of preferred shareholders in shareholders' meetings.

J. Conversion to ordinary shares: Preferred share A is non-convertible.

K. Capital reserve issued at preferred share A premium shall not be used as capital during the issuance of the preferred share.

L. For cash offering of new shares, the shareholders of preferred share A have the same preemptive rights as the common shareholders.

(2) Capital surplus

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Issuance of shares | | |
| Common stock | $1,023,509 | $1,023,509 |
| Preferred stock | 1,195,878 | 1,195,878 |
| Subtotal | 2,219,387 | 2,219,387 |
| Treasury stock transactions | 28,891 | 28,891 |
| Bond conversion | 239,469 | 239,469 |
| Share of changes in net assets of associate and joint ventures accounted for using the equity method | 73,530 | 73,530 |
| Adjustments for dividends paid to subsidiaries from parent company | 13,052 | 12,583 |
| Other | 4,193 | 4,017 |
| Total | $2,578,522 | $2,577,877 |

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(3) Treasury stock

As of 31 December 2022 and 2021, the Company's shares held by the subsidiary, TI FU INVESTMENT CO., LTD., was both NT$5,996 thousand, accounting to 940 thousand shares. These shares held by TI FU INVESTMENT CO., LTD. were acquired for the operation before the amendment of the Company Act on 12 November 2001.

(4) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, the current year's net income, after deducting payment of taxes and making up losses for preceding years, shall appropriate 10% as legal reserve, except for when accumulated legal reserve has reached the Company's paid-in capital, the rest shall be appropriated or reserved as special reserve as legally required. If there is still a remaining balance, together with the accumulated undistributed earnings, the Company shall distribute it according to the distribution plan of special dividends (not less than 50% of the available surplus for the current year, of which the cash dividend shall not be less than 10%). The board of directors shall draft a distribution proposal and submit it to the shareholders meeting for a resolution of distribution.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

The FSC on 31 March 2021 issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

The appropriations of earnings for 2022 were resolved at the board of directors' meeting on 16 March 2023. The appropriations of earning for 2021 were resolved at the general shareholders' meeting on 24 March 2022. The plans were as follows:

| | Appropriation of earnings | | Dividend per share (NT$) | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Legal reserve | $94,525 | $20,992 | | |
| Special reserve | (189,982) | 53,990 | | |
| Common stock -cash dividend | 563,216 | 156,449 | NT$1.80/ per share | NT$0.50/ per share |
| Preferred stock -cash dividend (Note) | 60,000 | 23,671 | NT$2.00/ per share | NT$0.80/ per share |

Note: The cash dividends were calculated based on the number of days outstanding and the interest rate of shares at 4% for the year ended 2021.

Please refer to Note 6.(20) for relevant information on estimation basis and recognized amount of employees compensations and remunerations to directors and supervisors.

(5) Non-controlling interests:

| | 2022 | 2021 |
|---|---|---|
| Beginning balance | $301,190 | $279,978 |
| Profit (loss) attributable to non-controlling interests | 69,328 | 43,338 |
| Other comprehensive income attributable to non-controlling interests, net of tax: | | |
| Remeasurements of defined benefit plans | 1,070 | 1,047 |
| Exchange differences resulting from translating the financial statements of foreign operations | 4,361 | (3,173) |
| Unrealized gains or losses on financial assets measured at fair value through other comprehensive income | (259) | - |
| Distribute dividends to subsidiaries | (24,000) | (20,000) |
| Other | (27,500) | - |
| Ending balance | $324,190 | $301,190 |

17. Operating revenue

| Revenue from contracts with customers | 2022 | 2021 |
|---|---|---|
| Sale of goods | $19,207,226 | $16,576,615 |

Analysis of revenue from contracts with customers for the years ended 2022 and 2021 was as follows:

(1) Disaggregation of revenue

For the year ended 31 December 2022：

| | Taiwan Dept | Asian Dept | U.S. Dept | European Dept | Total |
|---|---|---|---|---|---|
| Sale of goods | $6,816,316 | $458,647 | $9,633,909 | $2,298,354 | $19,207,226 |
| | | | | | |
| Timing of revenue recognition: | | | | | |
| At a point in time | $6,816,316 | $458,647 | $9,633,909 | $2,298,354 | $19,207,226 |

For the year ended 31 December 2021：

| | Taiwan Dept | Asian Dept | U.S. Dept | European Dept | Total |
|---|---|---|---|---|---|
| Sale of goods | $6,393,160 | $570,590 | $7,378,800 | $2,234,065 | $16,576,615 |
| | | | | | |
| Timing of revenue recognition: | | | | | |
| At a point in time | $6,393,160 | $570,590 | $7,378,800 | $2,234,065 | $16,576,615 |

18. Expected credit losses / (gains)

| | 2022 | 2021 |
|---|---|---|
| Operating expense- expected credit losses(gains) | | |
| Notes receivables | $(92) | $(3) |
| Accounts receivables | (4,323) | 4,917 |
| Total | $(4,415) | $4,914 |

Please refer to Note 12 for more details on credit risk.

The credit risk measured at amortized cost is assessed as low (the same as the assessment result in the beginning of the period). Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses. As the Group transacts with are financial institutions with good credit, no allowance for losses has been provided in this period.

The Group measures the loss allowance of its Trade Receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group’s loss allowance as at 31 December 2022 and 2021 was as follows:

The Group considers trade receivables that the credit loss is actually included in the impairment loss except for individual customers by counterparties’ credit rating, by geographical region and by industry sector and its loss allowance is measured by using provision matrix, details are as follows:

As at 31 December 2022

| | | Overdue | | | | |
|---|---|---|---|---|---|---|
| | Not yet due (Note) | <=90 days | 91-180 days | 181-270 days | >=271 days | Total |
| Gross carrying amount | $3,120,865 | $329,502 | $24,196 | $6,981 | $213,100 | $3,694,644 |
| Loss ratio | 0%~1% | 1%~5% | 20%~25% | 100% | 100% | |
| Lifetime expected credit losses | (8,386) | (8,273) | (5,569) | (6,981) | (213,100) | (242,309) |
| Carrying amount | $3,112,479 | $321,229 | $18,627 | $- | $- | $3,452,335 |

As at 31 December 2021

| | | Overdue | | | | |
|---|---|---|---|---|---|---|
| | Not yet due (Note) | <=90 days | 91-180 days | 181-270 days | >=271 days | Total |
| Gross carrying amount | $2,602,021 | $204,275 | $9,162 | $409 | $210,893 | $3,026,760 |
| Loss ratio | 0%~1% | 10%~15% | 55%~60% | 100% | 100% | |
| Lifetime expected credit losses | (7,533) | (22,808) | (5,081) | (409) | (210,893) | (246,724) |
| Carrying amount | $2,594,488 | $181,467 | $4,081 | $- | $- | $2,780,036 |

Note: The Group’s note receivables are not overdue.

The movement in the provision for impairment of note receivables and accounts receivables for the years ended 2022 and 2021 was as follows:

| | Note receivables | Accounts receivables |
|---|---|---|
| 1 Jan. 2022 | $136 | $246,588 |
| Addition/(reversal) for the current period | (92) | (4,323) |
| 31 Dec. 2022 | $44 | $242,265 |
| 1 Jan. 2021 | $139 | $246,775 |
| Addition/(reversal) for the current period | (3) | 4,917 |
| Write off | - | (5,104) |
| 31 Dec. 2021 | $136 | $246,588 |

19. Leases

(1) Group as a lessee

The Group leases various properties, including real estate such as land, buildings machinery and equipment, transportation equipment and other equipment. The lease terms range from 3 to 50 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Land | $1,208,015 | $1,208,889 |
| Buildings | 983,847 | 874,291 |
| Transportation equipment | 767 | 1,906 |
| Total | $2,192,629 | $2,085,086 |

For the year ended 31 December 2022 and 2021, the Group's additions to right-of-use assets amounting to NT$197,858 thousand and NT$418,676 thousand, respectively.

(b) Lease liabilities

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Current | $224,805 | $220,118 |
| Non-current | 1,834,666 | 1,764,024 |
| Total | $2,059,471 | $1,984,142 |

Please refer to Note 6.21(3) for the interest on lease liabilities recognized for the year ended 31 December 2022 and 2021 and refer to Note 12.(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at 31 December 2022 and 2021.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

| | 2022 | 2021 |
|---|---|---|
| Land | $2,763 | $2,714 |
| Buildings | 165,479 | 171,678 |
| Machinery and equipment | - | 337 |
| Transportation equipment | 1,755 | 2,646 |
| Total | $169,997 | $177,375 |

C. Income and costs relating to leasing activities

| | 2022 | 2021 |
|---|---|---|
| The expenses relating to short-term leases | $2,066 | $1,852 |
| The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets) | 1,376 | 1,416 |

D. Cash outflow relating to leasing activities

For the year ended 31 December 2022 and 2021, the Group’s total cash outflows for leases amounting to NT$278,603 thousand and NT$245,397 thousand, respectively.

20. For the years ended 31 December 2022 and 2021, the Group's aggregate information on personnel, depreciation and amortization expenses were as follows:

| Function / Character | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Classified as operating costs | Classified as operating expenses | Total | Classified as operating costs | Classified as operating expenses | Total |
| Employee benefits expense | | | | | | |
| Salaries | $911,944 | $947,385 | $1,859,329 | $860,328 | $784,175 | $1,644,503 |
| Insurances | 96,654 | 90,734 | 187,388 | 93,945 | 77,782 | 171,727 |
| Pensions | 37,445 | 38,414 | 75,859 | 35,804 | 38,920 | 74,724 |
| Other personnel expenses | 48,975 | 25,878 | 74,853 | 44,216 | 25,046 | 69,262 |
| Depreciations | 1,281,231 | 312,039 | 1,593,270 | 1,311,554 | 316,262 | 1,627,816 |
| Amortization | 15,471 | 20,908 | 36,379 | 16,118 | 26,044 | 42,162 |

According to the Articles of Incorporation, 1% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition, thereto a report of such distribution is submitted to the shareholders' meeting. Information on the board of directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit level, the Company estimated NT$28,000 thousand employees' compensation and NT$18,500 thousand remuneration to directors and supervisors as salaries expenses. A resolution was approved at a Board of Directors meeting held on 16 March 2023 to distribute NT$ 28,000 thousand and NT$18,500 thousand in cash as employee's compensation and remuneration to directors and supervisors, respectively.

There is no significant difference between the actual employee bonuses and remuneration to directors and supervisors distributed from the 2021 earnings and the estimated amount in the financial statements for the year ended 2021.

## 21. Non-operating income and expenses

(1) Other income

| | 2022 | 2021 |
|---|---|---|
| Rent income | $3,148 | $3,905 |
| Interest income | 8,089 | 3,503 |
| Dividend income | 4,129 | 2,761 |
| Government subsidy income | - | 39,311 |
| Other income-other | 58,903 | 51,378 |
| Total | $74,269 | $100,858 |

(2) Other gains and losses

| | 2022 | 2021 |
|---|---|---|
| Gains on disposal of property, plant and equipment | $44,083 | $2,366 |
| Foreign exchange gains (losses), net | 399,280 | (151,655) |
| (Losses) Gains on financial assets or liabilities at fair value through profit or loss | (33,128) | 19,604 |
| Other losses | (9,982) | (6,485) |
| Total | $400,253 | $(136,170) |

(3) Finance costs

| | 2022 | 2021 |
|---|---|---|
| Interest on borrowings from bank | $(149,855) | $(90,609) |
| Interest on lease liabilities | (61,271) | (45,245) |
| Total | $(211,126) | $(135,854) |

22. Components of other comprehensive income (loss)

| Year ended 31 Dec. 2022 | Arising during the period | Income tax profit (expense) | Net of tax |
|---|---|---|---|
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Remeasurements of defined benefit pension plans | $31,268 | $(6,254) | $25,014 |
| Unrealized gains from equity instruments investments measured at fair value through other comprehensive income | (26,426) | - | (26,426) |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | 225,150 | (44,158) | 180,992 |
| Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method | 35,367 | (7,073) | 28,294 |
| Total | $265,359 | $(57,485) | $207,874 |

| Year ended 31 Dec. 2021 | Arising during the period | Income tax profit (expense) | Net of tax |
|---|---|---|---|
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Remeasurements of defined benefit pension plans | $21,269 | $(4,254) | $17,015 |
| Unrealized gains from equity instruments investments measured at fair value through other comprehensive income | (2,740) | - | (2,740) |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | (81,080) | 15,581 | (65,499) |
| Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method | 14,698 | (2,939) | 11,759 |
| Total | $(47,853) | $8,388 | $(39,465) |

23. Income Tax

The major components of income tax expense (income) for the years ended 2022 and 2021 were as follows:

Income tax expense recognized in profit or loss

| | 2022 | 2021 |
|---|---|---|
| Current income tax expense (benefit): | | |
| Current income tax charge | $271,869 | $72,206 |
| Current land value increment tax | 8,984 | - |
| Adjustments in respect of current income tax of prior periods | (1,511) | 21,538 |
| Deferred tax expense (income): | | |
| Deferred tax expense (income) related to origination and reversal of temporary differences | (55,949) | (18,077) |
| Deferred income tax related to recognition and derecognition of tax losses and unused tax credits | 44,079 | 16,228 |
| Other components of deferred tax expense (income) | (1,749) | 917 |
| Total income tax expense (income) | $265,723 | $92,812 |

Income tax relating to components of other comprehensive income

| | 2022 | 2021 |
|---|---|---|
| Deferred tax expense (income): | | |
| Exchange differences on translation of foreign operations | $44,158 | $(15,581) |
| Remeasurements of the defined benefit plan | 6,254 | 4,254 |
| Share of other comprehensive income(loss) of associates and joint ventures accounted for using the equity method | 7,073 | 2,939 |
| Income tax relating to components of other comprehensive income | $57,485 | $(8,388) |

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate is as follows:

| | 2022 | 2021 |
|---|---|---|
| Net profit before tax from continuing operations | $1,267,584 | $329,421 |
| Tax at the domestic rates applicable to profits in the country concerned | $321,110 | $128,520 |
| Tax effect of revenues exempt from taxation | (48,866) | (34,081) |
| Tax effect of expenses not deductible for tax purposes | 241 | 195 |
| Tax effect of deferred tax assets/liabilities | (22,035) | (23,360) |
| Adjustments in respect of current income tax of prior periods | 6,289 | 21,538 |
| Current land value increment tax | 8,984 | - |
| Total income tax expenses recorded in profit or loss | $265,723 | $92,812 |

Significant components of deferred income tax assets and liabilities are as follows:

For the year ended 31 December 2022

| | As of 1 Jan. 2022 | Recognized in income | Recognized in other comprehensive income | Exchange differences | As of 31 Dec. 2022 |
|---|---|---|---|---|---|
| Temporary differences | | | | | |
| Unrealized exchange losses (gains) | $7,218 | $(10,500) | $- | $- | $(3,282) |
| Allowance for doubtful debts | 43,787 | (1,178) | - | 298 | 42,907 |
| Allowance for inventory valuation losses | 48,213 | (3,303) | - | 2,326 | 47,236 |
| Exchange differences on translation of foreign operations | 111,340 | - | (51,231) | - | 60,109 |
| Financial assets at fair value through profit or loss | 508 | 501 | - | - | 1,009 |
| Unrealized profits or losses on transactions with associates | 97,898 | 40,683 | - | - | 138,581 |
| Reserve for land value increment tax | (38,717) | - | - | - | (38,717) |
| Compensated absences provisions | 11,233 | 558 | - | 257 | 12,048 |
| Net defined benefit liabilities, non-current | 43,654 | (10,054) | (6,254) | - | 27,346 |
| Depreciation difference for tax purpose | (10,075) | 5,692 | - | (1,432) | (5,815) |
| Amortization difference for tax purpose | - | 13,854 | - | - | 13,854 |
| Impairment on property, plant and equipment | 6,200 | (186) | - | - | 6,014 |
| Inventories difference for tax purpose | 48,003 | 18,741 | - | 5,195 | 71,939 |
| Other | 17,474 | 1,142 | - | 1,926 | 20,542 |
| Unused tax losses | 58,539 | (44,080) | - | - | 14,459 |
| Deferred income tax benefit (expenses) | | $11,870 | $(57,485) | $8,570 | |
| Deferred tax assets and liabilities net | $445,275 | | | | $408,230 |
| As presented on the financial statement: | | | | | |
| Deferred tax assets | $497,544 | | | | $460,985 |
| Deferred tax liabilities | $(52,269) | | | | $(52,755) |

For the year ended 31 December 2021

| | As of 1 Jan. 2021 | Recognized in income | Recognized in other comprehensive income | Exchange differences | As of 31 Dec. 2021 |
|---|---|---|---|---|---|
| Temporary differences | | | | | |
| Unrealized exchange losses (gains) | $3,867 | $3,351 | $- | $- | $7,218 |
| Allowance for doubtful debts | 43,166 | 651 | - | (30) | 43,787 |
| Allowance for inventory valuation losses | 34,307 | 14,072 | - | (166) | 48,213 |
| Exchange differences on translation of foreign operations | 98,698 | - | 12,642 | - | 111,340 |
| Financial assets at fair value through profit or loss | 3,404 | (2,896) | - | - | 508 |
| Unrealized profits or losses on transactions with associates | 91,421 | 6,477 | - | - | 97,898 |
| Reserve for land value increment tax | (38,717) | - | - | - | (38,717) |
| Compensated absences provisions | 11,007 | 259 | - | (33) | 11,233 |
| Net defined benefit liabilities, non-current | 54,141 | (6,233) | (4,254) | - | 43,654 |
| Depreciation difference for tax purpose | (14,369) | 4,046 | - | 248 | (10,075) |
| Impairment on property, plant and equipment | 6,501 | (301) | - | - | 6,200 |
| Inventories difference for tax purpose | 43,084 | 5,516 | - | (597) | 48,003 |
| Impairment loss of assets | 2,598 | (2,598) | - | - | - |
| Other | 29,192 | (11,308) | - | (410) | 17,474 |
| Unused tax losses | 67,726 | (9,187) | - | - | 58,539 |
| Deferred income tax benefit (expenses) | | $1,849 | $8,388 | $(988) | |
| Deferred tax assets and liabilities net | $436,026 | | | | $445,275 |
| As presented on the financial statement: | | | | | |
| Deferred tax assets | $492,841 | | | | $497,544 |
| Deferred tax liabilities | $(56,815) | | | | $(52,269) |

The following table contains information of the unused tax losses of the Group:

| Entity | Year | Tax losses for the period | Unused tax losses as at 31 Dec. 2022 | Unused tax losses as at 31 Dec. 2021 | Expiration year |
|---|---|---|---|---|---|
| TYC | 2020 | $200,638 | $- | $217,069 | 2030 |
| JUOKU | 2017 | 169,608 | 109,000 | 134,404 | 2027 |
| TECHNOLOGY | 2018 | 68,571 | 68,571 | 68,571 | 2028 |
| | 2019 | 13,876 | 13,876 | 13,876 | 2029 |
| | 2020 | 2,151 | 2,151 | 5,808 | 2030 |
| | | | $193,598 | $439,728 | |

Unrecognized deferred tax assets

As of 31 December 2022 and 2021, deferred tax assets have not been recognized in respect of unused tax losses, unused tax credits and deductible temporary differences amounting to NT$24,326 thousand and NT$29,407 thousand, respectively, as the future taxable profit may not be available.

The assessment of income tax returns

As of 31 December 2022, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

| | The assessment of income tax returns |
|---|---|
| The Company | 2020 (2019 not yet assessed and approved) |
| Subsidiary－JUOKU TECHNOLOGY | 2020 |
| Subsidiary－DBM | 2020 |
| Subsidiary－TI YUAN | 2020 |
| Subsidiary－TI FU | 2020 |
| Subsidiary－TAMAU MANAGEMENT | 2020 |

24. Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

| | 2022 | 2021 |
|---|---|---|
| (1) Basic earnings per share | | |
| Profit attributable to ordinary equity holders of the Company (in thousand NT$) | $932,533 | $193,271 |
| Dividends on preference shares (in thousand NT$) | (23,671) | - |
| Profit used in computation of earning per share (in thousand NT$) | $908,862 | $193,271 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 311,958 | 311,958 |
| Basic earnings per share (NT$) | $2.91 | $0.62 |

| (2) Diluted earnings per share | 2022 | 2021 |
|---|---|---|
| Profit attributable to ordinary equity holders of the Company (in thousand NT$) | $932,533 | $193,271 |
| Dividends on preference shares (in thousand NT$) | (23,671) | - |
| Profit used in computation of earning per share (in thousand NT$) | $908,862 | $193,271 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 311,958 | 311,958 |
| Effect of dilution: | | |
| Employee bonus－stock (in thousands) | 1,114 | 759 |
| Weighted average number of ordinary shares outstanding after dilution (in thousands) | 313,072 | 312,717 |
| Diluted earnings per share (NT$) | $2.90 | $0.62 |

During the reporting date and the date the financial statement was prepared, no other transactions affected the common shares and dilutive potential ordinary shares.

## VII. RELATED PARTIES TRANSACTIONS

Information of the related parties that had transactions with the Group during the financial reporting period is as follow:

Name and nature of relationship of the related parties

| Name of the related parties | Nature of relationship of the related parties |
|---|---|
| FORTOP INDUSTRIAL CO., LTD. | Substantive related party |
| BRITEVIEW AUTOMOTIVE LIGHTING CO., LTD. | The Group is director of the Company |
| I YUAN PRECISION INDUSTRIAL CO., LTD. | Associate |
| TAYIH KENMOS AUTO PARTS CO., LTD. | Substantive related party |
| JNS AUTO PARTS LIMITED | Associate |
| VARROC TYC AUTO LAMPS CO., LTD. | Joint Venture |
| TA YIH INDUSTRIAL CO., LTD. | Substantive related party |
| HANGZHOU SUNNYTECH CO., LTD | Associate |
| PT ASTRA JUOKU INDONESIA | Joint Venture |
| BUILDUP INTERNATIONAL TRADING CO., LTD. | Substantive related party |
| KUNSHAN ATECH AUTOPARTS MANUFACTURING CO., LTD. | Associate |
| DBM REFLEX ENTERPRISES INC. | Substantive related party |

Significant related party transactions

(1) Sales

| | 2022 | 2021 |
|---|---|---|
| Joint Venture | | |
| VARROC TYC AUTO LAMPS CO., LTD. | $17,856 | $46,526 |
| PT ASTRA JUOKU INDONESIA | 184,192 | 132,162 |
| Subtotal | 202,048 | 178,688 |
| Associate | 2,295 | - |
| Other related party | | |
| BRITEVIEW AUTOMOTIVE LIGHTING CO., LTD. | 53,822 | 50,048 |
| TA YIH INDUSTRIAL CO., LTD. | 6,280 | 13,281 |
| FORTOP INDUSTRIAL CO., LTD. | 21,874 | 22,747 |
| Other | 4,155 | 7,151 |
| Subtotal | 86,131 | 93,227 |
| Total | $290,474 | $271,915 |

The Group sold products to some related parties who were single manufacturers, therefore the price could not be compared. The payment term was T/T 150 days. The sales price of some related parties is equivalent to that of non-related parties, and the terms of collection are every other month, payable between 1 to 3 months, which is equivalent to ordinary transactions.

(2) Purchases

| | 2022 | 2021 |
|---|---|---|
| Joint Venture | $1,993 | $1,823 |
| Associates | | |
| I YUAN PRECISION INDUSTRIAL CO., LTD. | 456,098 | 506,930 |
| Other | 8,826 | 12,940 |
| Subtotal | 464,924 | 519,870 |
| Other related party | | |
| FORTOP INDUSTRIAL CO., LTD. | 860,107 | 919,027 |
| BUILDUP INTERNATIONAL TRADING CO., LTD. | 258,688 | 283,806 |
| Other | 43,195 | 44,159 |
| Subtotal | 1,161,990 | 1,246,992 |
| Total | $1,628,907 | $1,768,685 |

The Group purchases goods from some related parties. The bargaining method for purchases is the same as that of non-related parties. The payment terms are the next month of the purchase, payable between 1 to 3 months, which is equivalent to ordinary transactions. The purchase price and payment terms of other related parties are equivalent to those of ordinary transactions.

(3) Notes receivables - related parties

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Joint Venture | $- | $8,393 |
| Other related party | | |
| BRITEVIEW AUTOMOTIVE LIGHTING CO., LTD. | - | 10,494 |
| FORTOP INDUSTRIAL CO., LTD. | 1,683 | 1,469 |
| Subtotal | 1,683 | 11,963 |
| Total | 1,683 | 20,356 |
| Less: allowance for doubtful accounts | (7) | (55) |
| Net | $1,676 | $20,301 |

(4) Accounts receivables - related parties

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Joint Venture | | |
| PT ASTRA JUOKU INDONESIA | $67,745 | $60,246 |
| VARROC TYC AUTO LAMPS CO., LTD. | 24,744 | 23,213 |
| Subtotal | 92,489 | 83,459 |
| Other related party | | |
| BRITEVIEW AUTOMOTIVE LIGHTING CO., LTD. | 19,945 | 9,873 |
| TA YIH INDUSTRIAL CO., LTD. | 2,146 | 5,848 |
| Other | 2,846 | 1,774 |
| Subtotal | 24,937 | 17,495 |
| Total | 117,426 | 100,954 |
| Less: allowance for doubtful accounts | (4,235) | (3,980) |
| Net | $113,191 | $96,974 |

(5) Other receivables

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Joint Venture | $3,422 | $1,802 |
| Associates | 26 | - |
| Other related party | 772 | 919 |
| Total | $4,220 | $2,721 |

(6) Accounts payables - related parties

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Joint Venture | $498 | $1,390 |
| Associates | | |
| I YUAN PRECISION INDUSTRIAL CO., LTD. | 118,374 | 185,744 |
| Other | 1,622 | 2,341 |
| Subtotal | 119,996 | 188,085 |
| Other related party | | |
| FORTOP INDUSTRIAL CO., LTD. | 282,786 | 305,983 |
| Other | 46,047 | 58,332 |
| Subtotal | 328,833 | 364,315 |
| Total | $449,327 | $553,790 |

(7) Key management personnel compensation

| | 2022 | 2021 |
|---|---|---|
| Short-term employee benefits | $54,395 | $50,352 |
| Post-employment benefits | 594 | 728 |
| Total | $54,989 | $51,080 |

## VIII. ASSETS PLEDGED AS SECURITY

The following table lists assets of the Group pledged as collateral:

| | Amount | | |
|---|---|---|---|
| Item | 31 Dec. 2022 | 31 Dec. 2021 | Purpose of pledge |
| Property, plant and equipment-Land | $372,345 | $356,194 | Bank borrowings |
| Property, plant and equipment-Buildings | 814,570 | 840,597 | Bank borrowings |
| Refundable deposits | 29,472 | 29,472 | Collateral for land lease |
| Inventories | 536,979 | 484,537 | Bank borrowings |
| Accounts receivable | 1,100,873 | 626,897 | Bank borrowings |
| Total | $2,854,239 | $2,337,697 | |

## IX. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENT

As of 31 December 2022, the Group was involved in the following activities that were not shown in the financial statements:

1. In order to assist the subsidiary T.I.T. INTERNATIONAL CO., LTD. in obtaining loan credit line, the Company issued a Stand-by L/C USD 1,000 thousand as a guarantee.

2. According to “The Regulations Governing the Establishment and Management of Bonded Warehouses”, the Company paid guarantee payable of bonded warehouse registration in the amount of NT$ 8,000 thousand.

3. On 8 July 2020, the Court of California in the United States of America dismissed all claims brought in the United States by Pilot Inc.(Pilot) in relation to commercial disputes including distribution contracts between Pilot and the Company and its subsidiary GENERA and its employees. Pilot again submitted the same dispute to the Singapore International Arbitration Centre for arbitration. The Company's appointed counsel, based on the available information, assessed that Pilot's claim for damages was not supported by relevant evidence and was not legally justified. As of the financial report adoption date of 16 March, 2023, it is not possible to assess the impact of the lawsuit on the Company's financials and business based on the information currently available.

4. In June 2021, the Company was informed that HYUNDAI MOTOR COMPANY and KIA CORPORATION filed a patent infringement lawsuit in the Court of California in the United States, claiming that the Company and its subsidiary GENERA infringed its lamp patents nos. 478 and 931. Having been made aware of the content of the action, the Company, together with its subsidiary GENERA, has appointed lawyers to carry out the proceedings in the interests of the Company. As of the financial report adoption date of 16 March, 2023, it is not possible to assess the impact of the lawsuit on the Company's financials and business based on the information currently available.

5. In 2022, the Company filed an arbitration claim against VarrocCorp Holding BV and Varroc Engineering Limited for violating the transition management agreement and confidentiality agreement, and at the same time applied for interim relief, requesting certain actions and related damages. The company has appointed lawyerS to respond to the follow-up arbitration procedure, continue to follow up and understand the progress of the case, and protect the rights and interests of the company's shareholders.As of the financial report adoption date of 16 March 2023, it is not possible to assess the impact of the lawsuit on the Company's financials and business based on the information currently available.

## X. SIGNIFICANT DISASTER LOSS

None.

## XI. SIGNIFICANT SUBSEQUENT EVENTS

None.

XII. OTHER

1. Categories of financial instruments

Financial Assets

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Financial assets at fair value through profit or loss： | | |
| Mandatorily measured at fair value through profit or loss | $- | $1,034 |
| Financial assets at fair value through other comprehensive income | 316,986 | 228,426 |
| Financial assets measured at amortized cost: | | |
| Cash and cash equivalents (excludes cash on hand) | 1,851,101 | 893,271 |
| Financial assets measured at amortized cost | 83,388 | 168,453 |
| Notes receivables (related parties included) | 15,236 | 44,261 |
| Accounts receivables (related parties included) | 3,437,099 | 2,735,775 |
| Other receivable | 112,548 | 160,068 |
| Refundable deposits | 58,535 | 54,376 |
| Subtotal | 5,557,907 | 4,056,204 |
| Total | $5,874,893 | $4,285,664 |

Financial Liabilities

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Financial liabilities measured at amortized cost: | | |
| Short-term borrowings and short-term notes and bills payable | $2,857,145 | $2,549,777 |
| Payables | 3,947,718 | 4,172,398 |
| Long-term borrowings (current portion included) | 7,191,857 | 6,368,413 |
| Lease liabilities | 2,059,471 | 1,984,142 |
| Guarantee deposit (under the account of other non-current liabilities-others) | 45,096 | 44,413 |
| Subtotal | 16,101,287 | 15,119,143 |
| Financial liabilities at fair value through profit or loss: | | |
| Held for trading | 5,046 | 3,577 |
| Total | $16,106,333 | $15,122,720 |

2. Financial risk management objectives and policies

The Group's risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant financial activities, due approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

3. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise currency risk, interest rate risk, and other price risk (such as equity instruments related risks).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly affected by USD and EUR. Sensitivity analysis is as follows:

a. When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2022 and 2021 decreases/increases by NT$2,021 thousand and NT$1,140 thousand, respectively.
b. When NTD strengthens/weakens against EUR by 1%, the profit for the years ended 31 December 2022 and 2021 decreases/increases by NT$7,804 thousand and NT$4,725 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s debt instrument investments at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December 2022 and 2021 to increase/decrease by NT$7,680 thousand and NT$7,055 thousand, respectively.

Equity price risk

The Group’s listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group’s listed and unlisted equity securities are classified under held for trading financial assets or available-for-sale financial assets, while unlisted equity securities are classified as available-for-sale. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group’s senior management on a regular basis. The Group’s board of directors reviews and approves all equity investment decisions.

At the reporting date, a change of 10% in the price of the listed companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT$102 thousand and NT$109 thousand on the equity attributable to the Group for years ended 31 December 2022 and 2021, respectively.

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

4. Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancement procedures, such as requesting for prepayment or insurance.

As of 31 December 2022 and 2021, accounts receivables from top ten customers represented 32.49% and 20.59% of the total trade receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counterparties.

5. Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, bank borrowings and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

| | Less than 1 year | 2 to 3 years | 3 to 4 years | > 5 years | Total |
|---|---|---|---|---|---|
| 31 Dec. 2022 | | | | | |
| Borrowings | $2,975,588 | $5,785,891 | $555,413 | $411,639 | $9,728,531 |
| Short-term notes and bills payable | 600,000 | - | - | - | 600,000 |
| Payables | 3,947,718 | - | - | - | 3,947,718 |
| Lease liabilities(Note) | 293,753 | 547,459 | 412,259 | 1,023,706 | 2,277,177 |
| | | | | | |
| 31 Dec. 2021 | | | | | |
| Borrowings | $2,079,962 | $4,796,324 | $1,077,071 | $537,132 | $8,490,489 |
| Short-term notes and bills payable | 640,000 | - | - | - | 640,000 |
| Payables | 4,172,398 | - | - | - | 4,172,398 |
| Lease liabilities(Note) | 259,693 | 481,818 | 445,026 | 1,005,743 | 2,192,280 |

Note：Information about the maturities of lease liabilities is provided in the table below:

| | Maturities | | | |
|---|---|---|---|---|
| | Less than 5 years | 5 to 10 years | 10 to 15 years | Total |
| 31 Dec. 2022 | $1,253,471 | $533,860 | $489,846 | $2,277,177 |
| 31 Dec. 2021 | 1,186,537 | 444,153 | 561,590 | 2,192,280 |

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities as at 31 December 2022 and 2021:

| | Short-term borrowings | Short-term notes and bills payable | Long-term Borrowings (Current portion included) | Other borrowings | Lease liabilities | Total liabilities from financing activities |
|---|---|---|---|---|---|---|
| 1 Jan. 2022 | $1,909,969 | $639,808 | $6,368,413 | $- | $1,984,142 | $10,902,332 |
| Cash flows | 294,142 | (39,884) | 816,367 | - | (213,890) | 856,735 |
| Non-cash change | - | - | - | - | 195,722 | 195,722 |
| Foreign exchange movement | 53,110 | - | 7,077 | - | 93,497 | 153,684 |
| 31 Dec. 2022 | $2,257,221 | $599,924 | $7,191,857 | $- | $2,059,471 | $12,108,473 |

| | Short-term borrowings | Short-term notes and bills payable | Long-term Borrowings (Current portion included) | Other borrowings | Lease liabilities | Total liabilities from financing activities |
|---|---|---|---|---|---|---|
| 1 Jan. 2021 | $1,229,994 | $- | $6,008,299 | $1,999,439 | $1,776,011 | $11,013,743 |
| Cash flows | 694,417 | 639,808 | 361,768 | (1,999,439) | (196,884) | (500,330) |
| Non-cash change | - | - | - | - | 418,300 | 418,300 |
| Foreign exchange movement | (14,442) | - | (1,654) | - | (13,285) | (29,381) |
| 31 Dec. 2021 | $1,909,969 | $639,808 | $6,368,413 | $- | $1,984,142 | $10,902,332 |

7. Fair value of financial instruments

(1) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

A. The carrying amount of cash and cash equivalents, trade receivables, refundable deposits, accounts payable, guarantee deposit and other current liabilities approximate their fair value due to their short maturities.

B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities etc.) at the reporting date.

C. Fair value of equity instruments without market quotations (including private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities)

D. Fair value of debt instruments without market quotations, bank loans, short-term notes and bills payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(2) Fair value of financial instruments measured at amortized cost

The book value of financial assets and liabilities at fair value through profit or loss approaches fair value.

(3) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.(9) for fair value measurement hierarchy for financial instruments of the Group.

8. Derivative financial instruments

The Group's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at 31 December 2022 and 2021 is as follows:

Forward currency contracts

The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

| Items (by contract) | Notional Amount | Contract Period |
|---|---|---|
| As at 31 Dec. 2022 | | |
| Forward currency contract | Sell foreign currency EUR 5,000 thousand | From 10 Nov. 2022 to 14 Mar. 2023 |
| As at 31 Dec. 2021 | | |
| Forward currency contract | Sell foreign currency USD 6,000 thousand | From 14 Dec. 2021 to 24 Jan. 2022 |
| Forward currency contract | Sell foreign currency EUR 2,000 thousand | From 16 Dec. 2021 to 14 Feb. 2022 |

With regard to the forward foreign exchange contracts, as they have been entered into to hedge the foreign currency risk of net assets or net liabilities, and there will be corresponding cash inflow or outflows upon maturity and the Group has sufficient operating funds, the cash flow risk is insignificant.

Cross Currency Swaps Contract

Cross currency swaps contract is used to avoid exchange rate and interest rate risks, but these contracts were not designated as hedging instruments. The unexpired cross currency swaps contract that the Group did not apply hedging accounting are as follows:

31 December 2022：

| Contract amount | Contract period | Interest rate paid | Charge interest rate | During the exchange |
|---|---|---|---|---|
| None | None | None | None | None |

31 December 2021：

| Contract amount | Contract period | Interest rate paid | Charge interest rate | During the exchange |
|---|---|---|---|---|
| Swap out USD 6,000 thousand Exchange into NT$ 168,000 thousand | From 17 Apr. 2020 to 17 Apr. 2022 | - <br> 0.66% | 0.61% <br> - | From 18 Jan. 2021 to 18 Jan. 2022 |

| Contract amount | Contract period | Interest rate paid | Charge interest rate | During the exchange |
|---|---|---|---|---|
| Swap out USD 3,000 thousand Exchange into NT$ 84,600 thousand | From 17 Apr. 2020 to 17 Apr. 2022 | - <br> 0.66% | 0.61% <br> - | From 26 Mar. 2021 to 28 Mar. 2022 |

The aforementioned derivatives transaction counterparties are well-known domestic and foreign banks with good credit, so the credit risk is not high.

9. Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 - Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

31 Dec. 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at fair value: | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity instrument measured at fair value through other comprehensive income | $102,492 | $- | $214,494 | $316,986 |
| Financial liabilities at fair value: | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Forward currency contract | - | 5,046 | - | 5,046 |

31 Dec. 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at fair value: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Forward currency contract | $- | $1,034 | $- | $1,034 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity instrument measured at fair value through other comprehensive income | 108,655 | - | 119,771 | 228,426 |
| Financial liabilities at fair value: | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Cross currency swaps contract | - | 3,577 | - | 3,577 |

<u>Transfers between Level 1 and Level 2 during the period</u>

During the year ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

| | At fair value through other comprehensive income - stocks | At fair value through other comprehensive income - stocks |
|---|---|---|
| | 2022 | 2021 |
| Beginning balances | $119,771 | $82,015 |
| Total gains and losses recognized: | | |
| Amount recognized in OCI(presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income) | (3,626) | 7,039 |
| Acquired in the period | 100,000 | 50,000 |
| Disposal in the period | (1,651) | - |
| Proceeds from capital reduction in the period | - | (19,283) |
| Ending balances | $214,494 | $119,771 |

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at 31 December 2022

| | Valuation techniques | Significant unobservable inputs | Quantitative information | Relationship between inputs and fair value | Sensitivity of the input to fair value |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| Financial assets at fair value through other comprehensive income – non-current | | | | | |
| Stocks | Market approach | discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's profit or loss by NT$11,673 thousand |

As at 31 December 2021

| | Valuation techniques | Significant unobservable inputs | Quantitative information | Relationship between inputs and fair value | Sensitivity of the input to fair value |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| Financial assets at fair value through other comprehensive income – non-current | | | | | |
| Stocks | Market approach | discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's profit or loss by NT$$12,958 thousand |

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

10. Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below(Amounts in thousands of Foreign Currencies):

| | 31 Dec. 2022 | | |
|---|---|---|---|
| | Foreign Currency | Exchange | NTD |
| Financial Assets | | | |
| Monetary items: | | | |
| USD | $119,542 | 30.684500 | $3,668,086 |
| EUR | 24,276 | 32.827812 | 796,928 |
| CNY | 20,918 | 4.447480 | 93,032 |
| Financial Liabilities | | | |
| Monetary items: | | | |
| USD | 112,956 | 30.684500 | 3,465,998 |
| EUR | 502 | 32.827812 | 16,480 |
| CNY | 23,066 | 4.447480 | 102,586 |

| | 31 Dec. 2021 | | |
|---|---|---|---|
| | Foreign Currency | Exchange | NTD |
| Financial Assets | | | |
| Monetary items: | | | |
| USD | $94,616 | 27.687853 | $2,619,714 |
| EUR | 14,271 | 31.403533 | 448,160 |
| CNY | 25,409 | 4.350654 | 110,546 |
| Financial Liabilities | | | |
| Monetary items: | | | |
| USD | 96,496 | 27.687853 | 2,671,767 |
| EUR | 1,225 | 31.403533 | 38,469 |
| CNY | 25,624 | 4.350654 | 111,481 |

The Group has various functional currencies, no information about the foreign exchange gains or losses by a specific currency is available. For the years ended 31 December 2022 and 2021, the foreign exchange gains (losses) on monetary financial assets and financial liabilities were NT$399,280 thousand, NT$(151,655) thousand, respectively.

The above information is disclosed based on the carrying amounts of the foreign currencies (after conversion to the functional currency).

11. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

## XIII. ADDITIONAL DISCLOSURES

(1) The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau:

(a) Financing provided to others for the year ended 31 December 2022: Please refer to Attachment 2.

(b) Endorsement/Guarantee provided to others for the year ended 31 December 2022: Please refer to Attachment 3.

(c) Securities held as of 31 December 2022 (excluding subsidiaries, associates and joint venture): Please refer to Attachment 4.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2022: None.

(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2022: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2022: None.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended 31 December 2022: Please refer to Attachment 5.

(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of 31 December 2022: Please refer to Attachment 6.

(i) Names, locations and related information of investees as of 31 December 2022(excluding investment in Mainland China): Please refer to Attachment 7.

(j) Financial instruments and derivative transactions: Please refer to Note6(2), Note6(13) and Note12(8).

(k) The business relationship, significant transactions and amounts between parent company and subsidiaries: Please refer to Attachment 1.

(2) Investment in Mainland China:

(a) Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 8.

(b) Directly or indirectly significant transactions through third regions with the investees in Mainland China, including price, payment terms, unrealized gain or loss, and other events with significant effects on the operating results and financial condition: Please refer to Attachment 2, Attachment 3 and Attachment 8.

(3) Information on major shareholders: Please refer to Attachment 9.

## XIV. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on its products and services and has four reportable segments as follows:

Taiwan Market: Responsible for all orders and production of lamps and molds in Taiwan.
Asian Market: Responsible for all orders and sales of lamps and molds in Asia.
U.S. Market: Responsible for the order and sales of all lighting products in the Americas.
European Market: Responsible for the order and sales of all lighting products in Europe.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

1. Segment information about profit and loss.

| 2022 | Taiwan Market | Asian Market | U.S. Market | European Market | Adjustments and eliminations | Total |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| External customers | $6,816,316 | $458,647 | $9,633,909 | $2,298,354 | $- | $19,207,226 |
| Inter-segment(Note) | 6,820,435 | 534,889 | - | - | (7,355,324) | - |
| Total revenue | $13,636,751 | $993,536 | $9,633,909 | $2,298,354 | $(7,355,324) | $19,207,226 |
| Segment profit | $1,446,484 | $(167,193) | $187,518 | $71,722 | $(270,947) | $1,267,584 |

| 2021 | Taiwan Market | Asian Market | U.S. Market | European Market | Adjustments and eliminations | Total |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| External customers | $6,393,160 | $570,590 | $7,378,800 | $2,234,065 | $- | $16,576,615 |
| Inter-segment(Note) | 6,948,915 | 492,481 | - | - | (7,441,396) | - |
| Total revenue | $13,342,075 | $1,063,071 | $7,378,800 | $2,234,065 | $(7,441,396) | $16,576,615 |
| Segment profit | $446,180 | $(20,217) | $156,837 | $54,014 | $(307,393) | $329,421 |

Note: Inter-segment revenue are eliminated on consolidation and recorded under the "adjustment and elimination" column.

2. Geographic information:

A. From external client revenue: based on the country of the customer

| Country | 2022 | 2021 |
|---|---|---|
| Taiwan | $1,033,258 | $1,112,259 |
| China | 189,899 | 403,521 |
| Netherlands | 2,298,354 | 2,261,440 |
| America | 9,919,044 | 7,699,221 |
| Other | 5,766,671 | 5,100,174 |
| Total | $19,207,226 | $16,576,615 |

B. Non-current assets:

| Country | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Taiwan | $9,346,675 | $9,497,737 |
| China | 720,171 | 765,270 |
| Others | 1,357,110 | 1,156,555 |
| Total | $11,423,956 | $11,419,562 |

3. Product information:

| Product | 2022 | 2021 |
|---|---|---|
| Automobile lights | $16,870,905 | $14,087,277 |
| General Merchandise | 1,246,862 | 1,247,596 |
| Models | 307,293 | 296,336 |
| Others | 782,166 | 945,406 |
| Total | $19,207,226 | $16,576,615 |

4. Important client information:

| | 2022 | 2021 |
|---|---|---|
| Client A | $2,574,866 | $1,722,790 |

Attachment 1: Significant intercompany transactions between consolidated entities

| No.(Note 1) | Related-party | Counter party | Relationship with the Company (Note 2) | Transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Collection periods | Percentage of consolidated operating revenues or consolidated total assets (Note 3) |
| 0 | The Company | JUOKU TECHNOLOGY | 1 | Purchase | $368,607 | credit on 90 days | 1.92% |
| 0 | The Company | JUOKU TECHNOLOGY | 1 | Accounts payables | 141,240 | credit on 90 days | 0.54% |
| 0 | The Company | JUOKU TECHNOLOGY | 1 | Sales | 24,897 | credit on 90 days | 0.13% |
| 0 | The Company | DBM | 1 | Mold equipment | 60,588 | 60% advance prepaid,and the balance 40% will be paid after acceptance | 0.23% |
| 0 | The Company | T.I.T. | 1 | Purchase | 290,393 | credit on 60 days | 1.51% |
| 0 | The Company | T.I.T. | 1 | Accounts payables | 49,069 | credit on 60 days | 0.19% |
| 0 | The Company | T.I.T. | 1 | Sales | 130,945 | T/T150 days | 0.68% |
| 0 | The Company | EUROPE | 1 | Sales | 1,634,598 | T/T120 days | 8.51% |
| 0 | The Company | EUROPE | 1 | Accounts receivables | 501,095 | T/T120 days | 1.92% |
| 0 | The Company | TAMAO PRECISION | 1 | Accounts payables | 48,803 | credit on 90 days | 0.19% |
| 0 | The Company | TAMAO PRECISION | 1 | Mold equipment | 152,112 | 60% advance prepaid,and the balance 40% will be paid after acceptance | 0.58% |
| 0 | The Company | GENERA | 1 | Sales | 4,472,620 | T/T135 days | 23.29% |
| 0 | The Company | GENERA | 1 | Accounts receivables | 2,074,978 | T/T135 days | 7.97% |
| 0 | The Company | KUN SHAN TYC | 1 | Purchase | 55,474 | credit on 120 days | 0.29% |
| 0 | The Company | KUN SHAN TYC | 1 | Sales | 35,653 | T/T120 days | 0.19% |
| 0 | The Company | KUN SHAN TYC | 1 | Accounts receivables | 146,855 | T/T120 days | 0.56% |
| 0 | The Company | TYCVN | 1 | Sales | 21,937 | T/T60 days | 0.11% |
| 0 | The Company | BESTE | 1 | Other receivables | 61,320 (USD 2,000 thousand) | Financing | 0.24% |
| 1 | SUPRA-ATOMIC | KUN SHAN TYC | 3 | Other receivables | 27,594 (USD 900 thousand) | Financing | 0.11% |

(Note 1)The Company and its subsidiaries are coded as follows:

1. The Company is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

(Note 2)Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

(Note 3)The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, interim cumulative balances are used as basis.

(Note 4)The exchange rate of the USD to the NTD is 1: 30.66.

Attachment 2: Financing provided to others

| No. (Note 1) | Lender | Counter-party | Financial statement account | Related Party | Maximum balance for the period (Note 9) | Ending balance | Actual amount provided | Interest rate | Nature of financing (Note 6) | Amount of sales to (purchases from) counter-party (Note 7) | Reason for short-term financing (Note 8) | Allowance for doubtful accounts | Collateral | | Limit of financing amount for individual counter-party | Limit of total financing amount | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | The Company | BESTE | Other receivables | Y | $153,300 (USD 5,000 thousand) | $153,300 (USD 5,000 thousand) | $61,320 (USD 2,000 thousand) | 2.00%~ 5.00% | 2 | $- | Need for operating | $- | - | $- | $1,769,103 (Note 2) | $3,538,206 (Note 3) | (Note 10) |
| 1 | SUPRA-ATOMIC | KUN SHAN TYC | Other receivables | Y | 27,594 (USD 900 thousand) | 27,594 (USD 900 thousand) | 27,594 (USD 900 thousand) | 2.70% | 2 | - | Need for operating | - | - | - | 1,340,396 (Note 4) | 1,340,396 (Note 5) | (Note 10) |

(Note 1) The financial information of the parent company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

(Note 2) Limit of financing amount for the parent company:

(1) Business contacts: limit of financing amount for individual counterparty shall not exceed 20% of the lender's net asste's value and the amount needed for operation. The amount of operation is the amount of business transaction in recent year between the lender and the counterparty.

(2) Necessary of need for operating：Limit of financing amount for individual counterparty shall not exceed 20% of the lender's net assets value as of the period.

(Note 3) Limit of total financing amount shall not exceed 40% of the parent company's net asset value.

(Note 4) Limit of financing amount for individual counterparty:

(1) Business contacts: limit of financing amount for individual counterparty shall not exceed 20% of the lender's net asste's value and the amount needed for operation. The amount of operation is the amount of business transaction in recent year between the lender and the counterparty.

(2) Necessary of need for operating：Limit of financing amount for individual counterparty shall not exceed 20% of the lender's net assets value as of the period.

(3) Individual financing between foreign companies of which subsidiaries directly and indirectly hold 100% voting shares is not subject to the limit of 20% of the lender's net assets value as of the period, but is limited to 100% of total assets.

(Note 5) Limit of total financing amount shall not exceed 40% of the subsidiary's net asset value.

(1) Individual financing between foreign companies of which subsidiaries directly and indirectly hold 100% voting shares is not subject to the limit of 40% of the lender's net asset of thef period, but is limited to 100% total assets.

(Note 6) The financing provided to others are coded as follows:

(1) Business contacts is coded "1".

(2) Short-term financing is coded "2".

(Note 7) If financing provided to others is coded "1" , the amount of business transactions should be filled in. The amount of operation is the amount of business transaction in recent year between lender and the counterparty.

(Note 8) If financing provided to others is coded "2". The reasons for the necessary loans and funds and the use of the loans and counterparty shall be specified, such as repayment, purchasing equipments, necesarry for operating, etc.

(Note 9) The balance of which is the maximum balance of financing provided to others in the current year.

(Note 10) The above transactions made between consolidated entities in the Group have been eliminated.

(Note 11) The exchange rate of the USD to the NTD is 1:30.66.

Attachment 3: Endorsement/Guarantee provided to others

| No. (Note1) | Endorsor/ Guarantor | Receiving party | | Limit of guarantee/endorsement amount for receiving party (Note 3) | Maximum balance for the period (Note 5) | Ending balance (Note 6) | Actual amount provided (Note7) | Amount of collateral guarantee/ endorsement | Percentage of accumulated guarantee amount to net assets value from the latest financial statement | Limit of total guarantee/ endorsement amount (Note 4) | Parent company's guarantee/ endorsement amount to subsidiaries | Subsidiaries' guarantee/ endorsement amount to parent company | Guarantee/ endorsement amount to company in Mainland China | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Company name | Releationship (Note 2) | | | | | | | | | | | |
| 0 | The Company | KUN SHAN TYC | (2) | $1,769,103 | $582,540 (USD 19,000 thousand) | $582,540 (USD 19,000 thousand) | $490,560 (USD 16,000 thousand) | - | 6.59% | $3,538,206 | Y | N | Y | (Note 8) |
| 0 | The Company | T.I.T. | (2) | 1,769,103 | 153,300 (USD 5,000 thousand) | 153,300 (USD 5,000 thousand) | 153,300 (USD 5,000 thousand) | - | 1.73% | 3,538,206 | Y | N | N | (Note 8) |

(Note 1) The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

(Note 2) According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, the receiving parties shall be disclosed as one of the following:

(1) A company with which it does business.

(2) A company in which the public company directly and indirectly holds more than 50% of the voting shares.

(3) A company that directly and indirectly holds more than 50 % of the voting shares in the public company.

(4) A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.

(5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

(Note 3) Limit of guarantee/endorsement amount for receiving party is 20% of the net worth of the financial report reviewed by the certified public accountants as of 31 December 2022.

(Note 4) Limit of total guarantee/ endorsement amount is 40% of the net worth of the financial report reviewed by the certified public accountants as of 31 December 2022.

(Note 5) The balance of which is the maximum balance of endorsement/guarantee provided to others in the current year.

(Note 6) The amount the Company and its subsidiaries approved through the board of directors for the endorsements for others.

(Note 7) The actual amount drawn within endorsement balance by the endorsed company.

(Note 8) The above transactions made between consolidated entities in the Group have been eliminated.

(Note 9) The exchange rate of USD to NTD is 1:30.66.

Attachment 4: Securities held as of 31 December 2022. (Excluding subsidiaries, associates and joint ventures)

| Holding Company | Type and name of securities(Note1) | Relationship | Financial statement account | as of 31 December 2022 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares(per) | Book value | Percentage of ownership (%) | Fair value | |
| The Company | Unlisted stock-FORTOP INDUSTRIAL CO.,LTD | Substantive related parties of the company | Financial assets measured at fair value through other comprehensive gains and losses, non-current | 391,722 | $43,157 | 19.59% | $43,157 | No guarantee or pledge |
| | Unlisted stock-BRITEVIEW AUTOMOTIVE LIGHTING CO., LTD. | The parent company is its corporate director | Financial assets measured at fair value through other comprehensive gains and losses, non-current | 360,000 | 13,327 | 18.00% | 13,327 | No guarantee or pledge |
| | Listed stock-LSC Ecosystem Corporation | None | Financial assets measured at fair value through other comprehensive gains and losses, non-current | 9,999,999 | 150,000 | 7.90% | 150,000 | No guarantee or pledge |
| | Listed stock-LASTER TECHCO., LTD | None | Financial assets measured at fair value through other comprehensive gains and losses, non-current | 931,704 | 32,144 | 0.87% | 32,144 | No guarantee or pledge |
| TSM | Fuzhou Ching Ho Automobile Accessory Co., Ltd. | Investment company measured at fair value through other comprehensive gains and losses | Financial assets measured at fair value through other comprehensive gains and losses, non-current | - | 8,010 | 3.73% | 8,010 | No guarantee or pledge |
| TI YUAN | Listed stock-I YUAN PRECISION INDUSTRIAL CO., LTD. | The Company measured at fair value for using equity method. | Investment accounting for using equity method | 900,914 | 38,152 | 2.51% | - | No guarantee or pledge(Note 2) |
| TI FU | Listed stock-T.Y.C. BROTHER INDUSTRIAL CO., LTD. | Holding company's parent company | Financial assets measured at fair value through other comprehensive gains and losses, non-current | 939,707 | 26,171 | - | 26,171 | No guarantee or pledge(Note 3) |
| | Listed stock-LASTER TECH CO., LTD. | None | Financial assets measured at fair value through other comprehensive gains and losses, non-current | 2,039,070 | 70,348 | 1.91% | 70,348 | No guarantee or pledge |

(Note 1)Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 ‘Financial instruments’.

(Note 2)The investment was accounted for using the equity method in the consolidated financial statement.

(Note 3)The above transactions made between consolidated entities in the Group have been eliminated.

Attachment 5: Related party transactions for purchases and sales exceeding the lower of NT$100 million or 20 percent of the capital stock as of 31 December 2022

| Related party | Counterparty | Relationship | Intercompany Transactions | | | | Details of non-arm's length transaction | | Notes and accounts receivable (payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases (Sales) | Amount | Percentage of total consolidated purchase (Sales) | Terms | Unit price | Terms | Carrying amount | Percentage of total consolidated receivables (payable) | |
| The Company | GENERA | Subsidiary of the Company | Sales | $4,472,620 | 38.79% | T/T 135 days | The price is determined according to the US OEM price ×0.24 as the reference price | Generally, payment is received 1 to 3 months after the end of the month. Due to the long distance of transportation, longer payment terms will be imposed. | Accounts receivable $2,074,978 | 53.39% | (Note 1) |
| | TYC EUROPE | Subsidiary of the Company | Sales | 1,634,598 | 14.18% | T/T 120 days | A single manufacturer and no other manufacturers to compare | Generally, payment is received 1 to 3 months after the end of the month. Due to the long distance of transportation, longer payment terms will be imposed. | Accounts receivable 501,095 | 12.89% | (Note 1) |
| | T.I.T. | Subsidiary of the Company | Sales | 130,945 | 1.14% | T/T 150 days | comparable to general customers | | Accounts receivable 18,802 | 0.48% | (Note 1) |
| | JUOKU TECHNOLOGY | Subsidiary of the Company | Purchases | 368,607 | 4.86% | credit on 90 days | comparable to general customers | | Accounts payable 141,240 | 5.92% | (Note 1) |
| | T.I.T. | Subsidiary of the Company | Purchases | 290,393 | 3.83% | credit on 60 days | comparable to general customers | | Accounts payable 49,069 | 2.06% | (Note 1) |
| | FORTOP INDUSTRIAL CO.,LTD | Substantive related parties of the Company | Purchases | 811,164 | 10.70% | credit on 90 days | comparable to general customers | | Accounts payable 270,025 | 11.32% | - |
| | I YUAN PRECISION INDUSTRIAL CO., LTD. | The Company measured at fair value for using equity method. | Purchases | 459,890 | 6.06% | credit on 90 days | comparable to general customers | | Accounts payable 118,149 | 4.95% | - |
| | BUILDUP INTERNATIONAL TRADING CO., LTD. | Substantive related parties of the Company | Purchases | 214,411 | 2.83% | credit on 20 days | comparable to general customers | | Accounts payable 15,461 | 0.65% | - |
| JUOKU TECHNOLOGY | The Company | Holding company's parent company | Sales | 434,163 | 23.01% | T/T 90 days | N/A | | Accounts receivable 141,560 | 30.84% | (Note 1) |
| JUOKU TECHNOLOGY | PT ASTRA JUOKU INDONESIA | Joint ventures of the Company | Sales | 184,192 | 9.76% | credit on 90 days | N/A | | Accounts receivable 67,745 | 14.76% | - |
| T.I.T. | The Company | Holding company's parent company | Sales | 312,210 (THB 357,179 thousand) | 46.94% | T/T 90 days | N/A | | Accounts receivable 65,118 (THB 74,497 thousand) | 42.47% | (Note 1) |
| TAMAO PRECISION | The Company | Holding company's parent company | Sales | 185,432 (USD 6,048 thousand) | 90.47% | T/T 90 days | N/A | | Accounts receivable 157,316 (USD 5,131 thousand) | 83.52% | (Note 1) |
| GENERA | The Company | Holding company's parent company | Purchases | 5,427,249 (USD 177,014 thousand) | 75.52% | T/T 135 days | N/A | | Accounts payable 2,006,850 (USD 65,455 thousand) | 88.04% | (Note 1) |
| TYC EUROPE | The Company | Holding company's parent company | Purchases | 1,476,896 (EUR 45,415 thousand) | 100.00% | T/T 120 days | N/A | | Accounts payable 493,914 (EUR 15,188 thousand) | 100.00% | (Note 1) |
| T.I.T. | The Company | Holding company's parent company | Purchases | 133,664 (THB 152,916 thousand) | 50.35% | T/T 90 days | N/A | | Accounts payable 12,480 (THB 14,277 thousand) | 14.20% | (Note 1) |

(Note 1) The above transations made between consolidated entities in the Group have been eliminated.

(Note 2) The exchange rate of USD to NTD is 1:30.66.

The exchange rate of EUR to NTD is 1:32.52.

The exchange rate of THB to NTD is 1:0.8741.

Attachment 6: Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of 31 December 2022

| Related party | Counterparty | Relationship | Amount | Average collection turnover | Overdue account receivable-related parties | | Amount received in subsequent period | Allowance for doubtful debts | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Processing method | | | |
| The Company | GENERA | Subsidiary of the Company | $2,074,978 | 2.20 | $663,306 | Collection has been strengthened | $1,023,957 | $- | ( Note 1 ) |
| | TYC EUROPE | Subsidiary of the Company | 501,095 | 3.16 | - | Collection has been strengthened | 267,964 | - | ( Note 1 ) |
| | KUN SHAN TYC | Subsidiary of the Company | 146,855 | 0.21 | 138,614 | Collection has been strengthened | 7,293 | - | ( Note 1 ) |
| JUOKU TECHNOLOGY | The Company | Holding company's parent company | 141,560 | 3.28 | 646 | Collection has been strengthened | 74,670 | - | ( Note 1 ) |

(Note 1 )The above transactions made between consolidated entities in the Group have been eliminated.

Attachment 7: Names, locations, main businesses and products, original investment amount, investment as of 31 December 2022, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2022: (Excluding investment in Mainland China)

| Investor | Investee company | Address | Main businesses and products | Initial Investment | | Investment as of 31 December 2022 | | | Net income (loss) of investee company | Investment income (loss) recognized (Note2) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Ending balance | Beginning balance | Number of shares | Percentage of ownership (%) | Book value (Note1) | | | |
| The Company | JUOKU TECHNOLOGY | No. 25, Gongye 3rd Rd., Annan Dist., Tainan City | Manufacturing, and sale of automobile parts | $313,730 | $313,730 | 27,923,401 | 72.10% | $329,348 | $131,744 | $94,987 | (Note7) |
| | TI YUAN | 12F., No. 212, Yuping Rd., Anping Dist., Tainan City | Marketable securities trading business | 30,053 | 30,053 | 5,731 | 100.00% | 53,879 | 1,274 | 1,274 | (Note7) |
| | TI FU | 12F., No. 212, Yuping Rd., Anping Dist., Tainan City | Marketable securities trading business | 30,076 (Note 4) | 30,076 | 9,550 (Note 4) | 100.00% | 150,966 | 34,682 | 34,213 | (Note3) (Note7) |
| | TAMAU MANAGEMENT | 18F., No. 573, Qingping Rd., Anping Dist., Tainan City | Management consult | 1,000 | 1,000 | 260,000 | 100.00% | 2,399 | (1,818) | (1,818) | (Note7) |
| | SUPRA-ATOMIC | British Virgin Islands | Reinvestment holding activities | 2,800,469 (Note 5) | 2,819,741 | 65,332,450 (Note 5) | 100.00% | 1,094,988 | (59,897) | (59,897) | (Note7) |
| | BESTE | British Virgin Islands | Reinvestment holding activities | 322,939 | 322,939 | 12,072,000 | 100.00% | 1,307,292 | (59,006) | (59,006) | (Note7) |
| | CONTEK | British Virgin Islands | Reinvestment holding activities | 66,512 | 66,512 | 2,186,000 | 100.00% | 45,805 | (10,976) | (10,976) | (Note7) |
| | I YUAN PRECISION INDUSTRIAL CO., LTD | No. 25, Zhongxing S. St., Sanchong Dist., New Taipei City | Manufacturing, processing and sale of automobile parts | 126,907 | 126,907 | 5,617,854 | 15.66% | 223,729 | 184,884 | 33,593 | The Company measured at fair value for using equity method. |
| | INNOVA | Delaware, U.S.A | Reinvestment holding activities | 745,370 | 745,370 | 5,549 | 100.00% | 1,189,107 | 69,947 | 69,947 | (Note7) |
| | TYCVN | Vietnam | Manufacture and sale automobile lights | 88,740 | 88,740 | - | 60.00% | 86,272 | (2,160) | (1,296) | (Note7) |
| JUOKU TECHNOLOGY | TSM | British Virgin Islands | Reinvestment holding activities | 10,122 | 10,122 | 300,000 | 100.00% | 9,286 | 1 | 1 | (Note7) |
| | PT ASTRA JUOKU INDONESIA | Indonesia | Manufacture and sale automobile lights | 276,640 | 276,640 | 1,126,500 | 50.00% | 214,030 | 91,628 | 45,814 | - |
| TI FU | DBM | No. 54, Xinle Rd., Tainan City | Manufacture tooling mold and international trading business | 25,500 (Note 6) | 25,500 | 6,000,000 (Note 6) | 50.00% | 121,995 | 66,885 | 33,443 | (Note7) |
| SUPRA-ATOMIC | EUROPILOT | British Virgin Islands | Reinvestment holding activities | 440,278 (USD 14,360 thousand) | 440,278 (USD 14,360 thousand) | 14,359,821 | 100.00% | 561,923 | 53,719 | 53,719 | (Note7) |
| | MOTOR-CURIO | British Virgin Islands | Reinvestment holding activities | 58,039 (USD 1,893 thousand) | 58,039 (USD 1,893 thousand) | 1,893,400 | 100.00% | 176,484 | 32,330 | 32,330 | (Note7) |
| | SPARKING | British Virgin Islands | Reinvestment holding activities | 1,101,185 (USD 35,916 thousand) | 1,101,185 (USD 35,916 thousand) | 30,915,717 | 100.00% | 39,969 | (188,240) | (188,240) | (Note7) |
| | EUROLITE | British Virgin Islands | Reinvestment holding activities | 636,440 (USD 20,758 thousand) | 636,440 (USD 20,758 thousand) | 14,697,972 | 100.00% | 192,183 | 19,991 | 19,991 | (Note7) |
| | UNIMOTOR | British Virgin Islands | Reinvestment holding activities | 211,155 (USD 6,887 thousand) | 211,155 (USD 6,887 thousand) | 6,887,000 | 100.00% | 338,045 | 18,778 | 18,778 | (Note7) |

Attachment 7: Names, locations, main businesses and products, original investment amount, investment as of 31 December 2022, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2022: (Excluding investment in Mainland China)

| Investor | Investee company | Address | Main businesses and products | Initial Investment | | Investment as of 31 December 2022 | | | Net income (loss) of investee company | Investment income (loss) recognized (Note2) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Ending balance | Beginning balance | Number of shares | Percentage of ownership (%) | Book value (Note1) | | | |
| EUROPILOT | TYC EUROPE | Henery Moorest roat 25 1328 LS Almere HOLLAND | Sale automobile lights | $440,278 (USD 14,360 thousand) | $440,278 (USD 14,360 thousand) | 120,000 | 100.00% | $561,889 | $53,716 | $53,716 | (Note7) |
| EUROLITE | T.I.T. | 350/132 Srikrung House Rama 3 Road Chongnonsi Yannawa Bangkok, Thailand | Manufacture and sale of lighting fixtures and daily-use product for automobile | 636,440 (USD 20,758 thousand) | 636,440 (USD 20,758 thousand) | 4,994,900 | 99.98% | 192,120 | 19,988 | 19,984 | (Note7) |
| BESTE | VARROC TYC CORPORATION | British Virgin Islands | Reinvestment holding activities | 431,448 (USD 14,072 thousand) | 431,448 (USD 14,072 thousand) | 14,072,000 | 50.00% | 1,383,116 | 33,723 | 16,861 | - |
| CONTEK | ATECH INTERNATIONAL | Cayman Islands | Reinvestment holding activities | 68,985 (USD 2,250 thousand) | 68,985 (USD 2,250 thousand) | 2,250,000 | 25.00% | 43,943 | (44,933) | (11,233) | - |
| INNOVA | GENERA | State of California, U.S.A. | Sale of automobile lights and parts | 379,847 (USD 12,389 thousand) | 379,847 (USD 12,389 thousand) | 12,388,505 | 100.00% | 1,729,561 (USD 56,411 thousand) | 65,980 (USD 2,152 thousand) | 65,980 (USD 2,152 thousand) | (Note7) |
| | W&W | State of California, U.S.A. | Sale of and rental of real estate | 30,660 (USD 1,000 thousand) | 30,660 (USD 1,000 thousand) | 1,000,000 | 100.00% | 101,975 (USD 3,326 thousand) | 6,040 (USD 197 thousand) | 6,040 (USD 197 thousand) | (Note7) |

(Note 1)The book value of the investment using the equity method is the net amount after deducting the unrealized gains and losses of downstream transactions.

(Note 2)The investment income recognized didn't eliminate unrealized gain or loss on transactions between the Company and its investees, and recognized I YUAN PRECISION INDUSTRIAL CO., LTD at 18.17% investment gains and losses.

(Note 3)The company treats shares of the Company that the subsidiaries hold as treasury stocks.

The book value of the investment using the equity method is the net amount after deducting the treasury stocks.

(Note 4)TI FU INVESTMENT CO., LTD. applied for a capital reduction and returned the capital increase out of capital surplus in the amount of NT$24,500 thousand.

(Note 5)SUPRA-ATOMIC CO., LTD. applied for a capital reduction and returned the share capital in the amount of NT$19,272 thousand.

(Note 6)DBM REFLEX OF TAIWAN CO., LTD. applied for a capital reduction and returned the capital increase out of capital surplus in the amount of NT$27,500 thousand to TI FU INVESTMENT CO., LTD..

(Note 7)The above transactions made between consolidated entities in the Group have been eliminated.

(Note 8)The exchange rate of USD to NTD is 1:30.66.

Attachment 8: Investment in Mainland China

| Investee company | Main Businesses and Products | Total Amount of Paid-in Capital | Method of Investment (Note 1) | Accumulated Outflow of Investment from Taiwan as of 1 January 2022 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of 31 December 2022 | Net income (loss) of investee company | Percentage of Ownership | Investment income (loss) recognized (Note 2) | Carrying Value as of 31 December 2022 | Accumulated Inward Remittance of Earnings as of 31 December 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| VARROC TYC AUTO LAMPS CO.,LTD. | Manufacture automobile lights | $827,820<br>(USD 27,000 thousand) | (1)VARROC TYC CORPORATION | $390,302<br>(USD 12,730 thousand) | $- | $- | $390,302<br>(USD 12,730 thousand) | $34,084 | 50% | $17,042 | $2,766,122 | $523,243 |
| CHANGZHOU TAMAO PRECISION INDUSTRY CO., LTD. (Note 3) | Manufacture and sale of precision molds | 198,278<br>(USD 6,467 thousand) | (1)UNIMOTOR | 198,278<br>(USD 6,467 thousand) | - | - | 198,278<br>(USD 6,467 thousand) | 18,759 | 100% | 18,759 | 337,856 | - |
| HANGZHOU SUNNYTECH CO., LTD. | Industrial styling and product design | 8,196<br>(CNY 1,870 thousand) | (1)SPARKING | 5,090<br>(USD 166 thousand) | - | - | 5,090<br>(USD 166 thousand) | (158) | 30% | (47) | 11,036 | - |
| JNS AUTO PARTS LIMITED | Manufacture automobile parts | 499,758<br>(USD 16,300 thousand) | (1)MOTOR-CURIO | 61,320<br>(USD 2,000 thousand) | - | - | 61,320<br>(USD 2,000 thousand) | 166,371 | 20% | 33,274 | 173,365 | - |
| KUN SHAN TYC HIGH PERFORMANCE (Note 3) | Manufacture, process and assemble of various high-efficiency energy-saving lamps and accessories | 919,800<br>(USD 30,000 thousand) | (1)SPARKING | 1,073,100<br>(USD 35,000 thousand) | - | - | 1,073,100<br>(USD 35,000 thousand) | (187,569) | 100% | (187,569) | 28,902 | - |
| CHIN-LI-MA HIGHT PERFORMANCE LUMINAIRE CO., LTD. | Design amd manufacture high-efficiency energy-saving lamps | 13,797<br>(USD 450 thousand) | (2)TAMAO PRECISION | - | - | - | - | - | 30% | - | - | - |
| KUNSHAN ATECH AUTOPARTS MANUFACTURING CO., LTD. | Manufacture automobile parts | 214,620<br>(USD 7,000 thousand) | (1)ATECH INTERNATIONAL CO., LTD. | 53,655<br>(USD 1,750 thousand) | - | - | 53,655<br>(USD 1,750 thousand) | 1,564<br>(USD 51 thousand) | 25% | 399<br>(USD 13 thousand) | 42,525<br>(USD 1,387 thousand) | - |
| ATECH(JIANGSU) INDUSTRIAL TECHNOLOGY CO., LTD. | Manufacture automobile parts | 61,320<br>(USD 2,000 thousand) | (1)ATECH INTERNATIONAL CO., LTD. | 15,330<br>(USD 500 thousand) | - | - | 15,330<br>(USD 500 thousand) | 3,250<br>(USD 106 thousand) | 25% | 828<br>(USD 27 thousand) | 60,768<br>(USD 1,982 thousand) | - |

| Accumulated Investment in Mainland China | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|---|---|---|
| $2,160,610 (USD 70,470 thousand) | $1,966,195 (USD 64,129 thousand) | (Note 4) |

(Note 1) Methods of investment are divided into three:

(1)Indirectly investment in Mainland China through companies registered in a third region

(2)Reinvest with Mainland China company's own funds

(3)Other

(Note 2) The investment income recognized didn't eliminate unrealized gain or loss on transactions between the Company and its investees.

(Note 3) The above transactions made between consolidated entities in the Group have been eliminated.

(Note 4) According to 97.8.22 “Regulations Governing Permission for Investment or Technical Cooperation in Mainland China" and the amendment to “Review Principles of Investment or Technical Cooperation in Mainland china", the cumulative amount of investors' investment in Mainland China according to the upper limit set for other enterprises: 60% of its net value or the consolidated net value, whichever is higher. However, enterprises for which the Industrial Development Bureau of the Ministry of Economic Affairs issued the certificate of compliance or the Taiwan subsidiaries of international enterprises shall not be subject to the restriction. The Company qualifies as business headquarters therefore the upper limit does not apply.

(Note 5) The exchange rate of the USD to the NTD is 1:30.66

The exchange rate of the CNY to the NTD is 1:4.383.

Attachment 9:Information on major shareholders

| Name of ordinary shares / Name of major shareholders | Number of shares held | Percentage of ownership |
| --- | --- | --- |
| TA YIH TA INVESTMENT CO., LTD. (Note 3) | 74,649,044 | 21.77% |
| YIH HENG INVESTMENT CO., LTD. | 57,420,654 | 16.74% |

(Note 1) The main shareholder information in this table is calculated based on the information available from the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter. The total number of ordinary shares and special shares held by the shareholders which have completed the dematerialized delivery and registration of the shares of the Company (including treasury shares) is more than 5%. The share capital recorded in the Company's financial report and the number of shares actually delivered by the Company with dematerialized registration may differ because the calculation bases were different.

(Note 2) If the above information included the shareholders' shares transferred to a trust, it is disclosed by the individual settlor account opened by the trustee. Where the shareholders declared insider equity holding for more than 10% shareholding according to the Securities and Exchange Act, such holdings shall include the shares held by shareholders and the trusted assets with right to use. For information regarding insider shareholding declaration, please refer to the Market Observation Post System of the Taiwan Stock Exchange Corporation.

(Note 3) TA YIH TA INVESTMENT CO., LTD. and KUO CHI MIN INVESTMENT CO., LTD. merged in October 2022, and TA YIH TA INVESTMENT CO., LTD. was the surviving company and would be renamed KUO CHI MIN INVESTMENT CO., LTD..

5.Individual financial statements for the past year verified by accountants:

**TYC BROTHER INDUSTRIAL CO., LTD.**

**PARENT COMPANY ONLY**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021**

**WITH**

**REPORT OF INDEPENDENT AUDITORS**

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

**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 2022 and 2021, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2022 and 2021, 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 2022 and 2021, and its financial performance and cash flows for the years ended 31 December 2022 and 2021, 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 the Standards on Auditing of 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 (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 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Loss allowance of accounts receivable</u>

As of 31 December 2022, the Company's accounts receivable and allowance for its doubtful accounts amounted to NT$3,886,183 thousand and NT$150,814 thousand, respectively. Net accounts receivable constituted a material amount of 19% of total assets, which was considered material in the parent company only financial statements. Since the Company's allowance for doubtful accounts was measured at the lifetime expected credit loss, its account receivables should be appropriately grouped during the measurement process and the Company should determine the use of related assumptions in the measurement process, 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 considered 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 and evaluate its recoverability; 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 for more details.

Valuation for slow-moving inventories

As of 31 December 2022, the Company's net inventories amounted to NT$1,462,910 thousand, constituting 7% of total asset, which was considered material in the parent company only financial statements. Considering the market change, horizontal competition and numerous inventory items, the loss allowance for loss on inventory valuation and obsolescence required significant management judgment. We considered 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 for more details.

**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 using 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 accounted for using the equity method amounted to NT$852,728 thousand and NT$732,263 thousand, representing 4.33% and 3.93% of total assets as of 31 December 2022 and 2021, respectively. The related shares of profits from the subsidiaries, associates and joint ventures accounted for using the equity method amounted to NT$108,466 thousand and NT$70,059 thousand, representing 9.67% and 29.75% of the income before tax for the years ended 31 December 2022 and 2021, respectively, and the related shares of other comprehensive income (loss) from the subsidiaries, associates and joint ventures accounted for using the equity method amounted to NT$29,125 thousand and NT$(54,299) thousand, representing 14.37% and 154.42% of the comprehensive income (loss) for the years ended 31 December 2022 and 2021, 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 the Standards on Auditing of 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 the Standards on Auditing of 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 2022 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.

<u>Hung, Kuo-Sen</u>

<u>Lee, Fang-Wen</u>

Ernst & Young, Taiwan
16 March 2023

Notice to Readers：
The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China on Taiwan.
Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China on Taiwan, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

TYC BROTHER INDUSTRIAL CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| ASSETS | Notes | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|---|
| Current assets | | | |
| Cash and cash equivalents | Ⅳ/Ⅵ.1 | $1,222,598 | $280,558 |
| 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 | 6,287 | 12,980 |
| Notes receivable-related parties, net | Ⅳ/Ⅵ.5/Ⅶ | 1,559 | 11,002 |
| Accounts receivable, net | Ⅳ/Ⅵ.6 | 956,875 | 996,349 |
| Accounts receivable-related parties, net | Ⅳ/Ⅵ.6/Ⅶ | 2,770,648 | 2,785,911 |
| Other receivables | Ⅳ/Ⅶ | 148,681 | 151,546 |
| Inventories | Ⅳ/Ⅵ.7 | 1,462,910 | 1,241,867 |
| Other current assets | | 153,575 | 145,861 |
| Total current assets | | 6,723,133 | 5,682,648 |
| Non-current assets | | | |
| Financial assets at fair value through other comprehensive income, non-current | Ⅳ/Ⅵ.3 | 238,628 | 133,178 |
| Investments accounted for under the equity method | Ⅳ/Ⅵ.8 | 4,483,785 | 4,387,679 |
| Property, plant and equipment | Ⅳ/Ⅵ.9/Ⅶ/Ⅷ | 6,210,444 | 6,120,820 |
| Right-of-use asset | Ⅳ/Ⅵ.19 | 669,931 | 683,209 |
| Intangible assets | Ⅳ/Ⅵ.10 | 41,054 | 40,267 |
| Deferred tax assets | Ⅳ/Ⅵ.23 | 277,755 | 355,403 |
| Prepayment for equipments | | 1,016,557 | 1,191,934 |
| Refundable deposits | Ⅷ | 18,836 | 17,835 |
| Other non-current assets-others | | 18,239 | 23,884 |
| Total non-current assets | | 12,975,229 | 12,954,209 |
| Total assets | | $19,698,362 | $18,636,857 |

(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 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

| LIABILITIES AND SHAREHOLDERS' EQUITY | Notes | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|---|
| Current liabilities | | | |
| Short-term borrowings | Ⅳ/Ⅵ.11 | $300,000 | $958,000 |
| Short-term notes and bills payable | Ⅳ/Ⅵ.12 | 499,952 | 639,808 |
| Financial liabilities at fair value through profit or loss, current | Ⅳ/Ⅵ.13 | 5,046 | 3,577 |
| Notes payable | Ⅳ | 267,294 | 285,951 |
| Accounts payable | Ⅳ | 1,442,131 | 1,567,964 |
| Accounts payable-related parties | Ⅳ/Ⅶ | 676,388 | 772,850 |
| Other payables | Ⅳ | 497,671 | 383,774 |
| Current tax liabilities | Ⅳ/Ⅵ.23 | 189,207 | 24,592 |
| Lease liabilities, current | Ⅳ/Ⅵ.19 | 39,953 | 39,388 |
| Current portion of long-term liabilities | Ⅳ/Ⅵ.14 | 620,205 | 111,301 |
| Other current liabilities | | 289,098 | 311,620 |
| Total current liabilities | | 4,826,945 | 5,098,825 |
| Non-current liabilities | | | |
| Long-term borrowings | Ⅳ/Ⅵ.14 | 5,348,494 | 4,858,269 |
| Deferred tax liabilities | Ⅳ/Ⅵ.23 | 41,910 | 38,717 |
| Lease liabilities, non current | Ⅳ/Ⅵ.19 | 535,487 | 575,440 |
| Net defined benefit liabilities, non-current | Ⅳ/Ⅵ.15 | 99,436 | 175,259 |
| Other non-current liabilities-others | | 575 | 592 |
| Total non-current liabilities | | 6,025,902 | 5,648,277 |
| Total liabilities | | 10,852,847 | 10,747,102 |
| Equity | | | |
| Capital | Ⅳ/Ⅵ.16 | | |
| Common stock | | 3,128,979 | 3,128,979 |
| Preferred stock | | 300,000 | 300,000 |
| Capital surplus | Ⅳ/Ⅵ.16 | 2,578,522 | 2,577,877 |
| Retained earnings | Ⅳ/Ⅵ.16 | | |
| Legal reserve | | 829,612 | 808,620 |
| Special reserve | | 343,972 | 289,982 |
| Unappropriated earnings | | 1,824,416 | 1,134,265 |
| Other equity | Ⅳ/Ⅵ.16 | | |
| Exchange differences resulting from translating the financial statements of foreign operations | | (241,318) | (446,242) |
| Unrealized gains or losses on financial assets measured at fair value through other comprehensive income | | 87,328 | 102,270 |
| Treasury stock | Ⅳ/Ⅵ.16 | (5,996) | (5,996) |
| Total equity | | 8,845,515 | 7,889,755 |
| Total liabilities and equity | | $19,698,362 | $18,636,857 |

(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 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

| ITEMS | Notes | 2022 | 2021 |
|---|---|---|---|
| Operating revenues | Ⅳ/Ⅵ.17/Ⅶ | $11,530,952 | $11,193,999 |
| Operating costs | Ⅳ/Ⅵ.7.19.20/Ⅶ | (9,665,098) | (10,009,747) |
| Gross profit | | 1,865,854 | 1,184,252 |
| Unealized profit on sales | | (692,898) | (489,142) |
| Realized profit on sales | | 489,294 | 456,390 |
| Net gross profit | | 1,662,250 | 1,151,500 |
| Operating expenses | Ⅳ/Ⅵ.18.19.20/Ⅶ | | |
| Sales and marketing expenses | | (379,123) | (426,034) |
| General and administrative expenses | | (327,251) | (281,089) |
| Research and development expenses | | (292,280) | (277,559) |
| Expected credit impairment (losses) gains | | 8,042 | (1,702) |
| Subtotal | | (990,612) | (986,384) |
| Operating income | | 671,638 | 165,116 |
| Non-operating income and expenses | | | |
| Other income | Ⅵ.21 | 34,568 | 32,635 |
| Other gains and losses | Ⅵ.21 | 343,042 | (127,355) |
| Finance costs | Ⅵ.21 | (72,530) | (59,863) |
| Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method | Ⅳ/Ⅵ.8 | 144,758 | 224,982 |
| Subtotal | | 449,838 | 70,399 |
| Net income before income tax | | 1,121,476 | 235,515 |
| Income tax expense | Ⅳ/Ⅵ.23 | (188,943) | (42,244) |
| Net income | | 932,533 | 193,271 |
| Other comprehensive income (loss) | Ⅳ/Ⅵ.22 | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Remeasurements of the defined benefit plan | | 28,610 | 17,804 |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | | (5,053) | 2,058 |
| 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 | | (20,057) | (3,073) |
| Income tax related to items that will not be reclassified subsequently | | (5,722) | (3,561) |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | | 220,788 | (77,907) |
| 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 | | 35,367 | 14,698 |
| Income tax related to items that may be reclassified subsequently | | (51,231) | 12,642 |
| Total other comprehensive income (loss), net of tax | | 202,702 | (37,339) |
| Total comprehensive income (loss) | | $1,135,235 | $155,932 |
| | | | |
| Earnings per share (NTD) | Ⅳ/Ⅵ.24 | | |
| Earnings per share-basic | | $2.91 | $0.62 |
| Earnings per share-diluted | | $2.90 | $0.62 |

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

TYC BROTHER INDUSTRIAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to the parent company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital | | | Retained Earnings | | | Other equity | | | |
| ITEMS | Common stock | Preferred stock | Capital surplus | 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 | Treasury stock | Total equity |
| 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 |
| Balance as of 1 January 2022 | $3,128,979 | $300,000 | $2,577,877 | $808,620 | $289,982 | $1,134,265 | $(446,242) | $102,270 | $(5,996) | $7,889,755 |
| Appropriation and distribution of 2021 retained earnings | | | | | | | | | | |
| Legal reserve | - | - | - | 20,992 | - | (20,992) | - | - | - | - |
| Special reserve | - | - | - | - | 53,990 | (53,990) | - | - | - | - |
| Cash dividends | - | - | - | - | - | (156,449) | - | - | - | (156,449) |
| Preferred share dividends | - | - | - | - | - | (23,671) | - | - | - | (23,671) |
| Net income for the year ended 31 December 2022 | - | - | - | - | - | 932,533 | - | - | - | 932,533 |
| Other comprehensive income (loss) for the year ended 31 December 2022 | - | - | - | - | - | 23,945 | 204,924 | (26,167) | - | 202,702 |
| Total comprehensive income (loss) | - | - | - | - | - | 956,478 | 204,924 | (26,167) | - | 1,135,235 |
| Adjustments for dividends subsidiaries received from parent company | - | - | 469 | - | - | - | - | - | - | 469 |
| Disposals of financial assets at fair value through other comprehensive income | - | - | - | - | - | (11,225) | - | 11,225 | - | - |
| Other | - | - | 176 | - | - | - | - | - | - | 176 |
| Balance as of 31 December 2022 | $3,128,979 | $300,000 | $2,578,522 | $829,612 | $343,972 | $1,824,416 | $(241,318) | $87,328 | $(5,996) | $8,845,515 |

(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 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| ITEMS | 2022 | 2021 | ITEMS | 2022 | 2021 |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | Cash flows from investing activities: | | |
| Net income before tax | $1,121,476 | $235,515 | Acquistion of financial assets at fair value through other comprehensive income | (111,493) | (59,822) |
| Adjustments for: | | | Disposal of financial assets at fair value through other comprehensive income | 990 | - |
| Income and expense adjustments: | | | Proceeds from capital reduction of financial assets at fair value through other comprehensive income | - | 12,477 |
| Depreciation | 1,270,725 | 1,290,506 | Acquistion of financial assets measured at amortized cost | - | (55,540) |
| Amortization | 26,041 | 31,789 | Disposal of financial assets at amortized cost | 55,540 | - |
| Expected credit impairment (gains) losses | (8,042) | 1,702 | Proceeds from capital reduction of investments accounted for using the equity method | 43,772 | 16,630 |
| Finance costs | 72,530 | 59,863 | Acquisition of property, plant and equipment | (1,166,136) | (984,834) |
| Interest income | (2,645) | (203) | Proceeds from disposal of property, plant and equipment | 842 | 4,485 |
| Dividend income | (2,865) | (2,473) | Increase in refundable deposits | (1,056) | (34) |
| Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method | (144,758) | (224,982) | Decrease in refundable deposits | 55 | 35 |
| (Gains) losses on disposal of property, plant and equipment | 3,716 | (1,889) | Acquistion of intangible assets | (26,828) | (14,727) |
| Unrealized profit on sales | 692,898 | 489,142 | Increase in other non-current assets | (17,151) | (26,623) |
| Realized profit on sales | (489,294) | (456,390) | Decrease in other non-current assets | 22,796 | 29,210 |
| Changes in operating assets and liabilities: | | | Net cash used in investing activities | (1,198,669) | (1,078,743) |
| Financial assets at fair value through profit or loss | 1,034 | (1,034) | | | |
| Notes receivable | 6,737 | 3,290 | Cash flows from financing activities: | | |
| Notes receivable-related parties | 9,491 | 381 | Increase in short-term borrowings | 1,562,000 | 1,430,000 |
| Accounts receivable | 47,679 | (225,724) | Decrease in short-term borrowings | (2,220,000) | (847,590) |
| Accounts receivable-related parties-net | 15,008 | (583,883) | Increase in short-term notes and bills payable | 950,000 | 639,808 |
| Other receivables | 2,999 | (47,967) | Decrease in short-term notes and bills payable | (1,089,856) | - |
| Inventories | (221,043) | (178,882) | Proceeds from long-term borrowings | 3,316,570 | 2,117,070 |
| Other current assets | (7,714) | (10,904) | Repayment of long-term borrowings | (2,317,441) | (1,706,113) |
| Financial liabilities at fair value through profit or loss | 1,469 | (13,443) | Decrease in other long-term borrowings | - | (1,999,439) |
| Notes payable | (18,657) | (10,131) | Increase in guarantee deposits | 2,377 | 2,009 |
| Accounts payable | (125,833) | (77,396) | Decrease in guarantee deposits | (2,394) | (1,732) |
| Accounts payable-related parties | (96,462) | (28,527) | Cash payment for the principal portion of the lease liabilties | (39,388) | (38,833) |
| Other payables | 109,640 | (39,438) | Cash dividends | (180,120) | (187,739) |
| Other current liabilities | (22,522) | 9,908 | Proceeds from issuing stock | - | 1,495,878 |
| Net defined benefit liabilities | (47,213) | (27,742) | Net cash (used in) provided by financing activities | (18,252) | 903,319 |
| Cash generated from operations | 2,194,395 | 191,088 | | | |
| Interest received | 2,645 | 203 | Net increase in cash and cash equivalents | 942,040 | 47,279 |
| Dividend received | 40,900 | 109,470 | Cash and cash equivalents at beginning of period | 280,558 | 233,279 |
| Interest paid | (78,581) | (68,960) | Cash and cash equivalents at end of period | $1,222,598 | $280,558 |
| Income tax paid | (398) | (9,098) | | | |
| Net cash provided by operating activities | 2,158,961 | 222,703 | | | |

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

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

## I. HISTORY AND ORGANIZATION

TYC BROTHER INDUSTRIAL CO., LTD. (the "Company") was incorporated under the laws of the Republic of China on Taiwan (the "ROC") on 9 September 1986. The Company's registered office and the main business location is at No.72-2, Xinle Rd., Tainan City Taiwan (R.O.C). The Company's main profitable business projects are the manufacture, trading import and export of automobiles, motorcycles and other automobile parts and supplies. The Company became a listed company on the Taiwan Stock Exchange on 6 October 1997.

## II. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements of the Company for the years ended 31 December 2022 and 2021 were authorized for issue in accordance with a resolution of the board of directors on 16 March 2023.

## III. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

1. Changes in accounting policies resulting from applying for the first-time certain standards and amendments

   The Company applied for the first-time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2022. The new standards and amendments had no material impact on the Company.

2. Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|---|---|---|
| 1 | Disclosure Initiative - Accounting Policies – Amendments to IAS 1 | 1 January 2023 |
| 2 | Definition of Accounting Estimates – Amendments to IAS 8 | 1 January 2023 |
| 3 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 | 1 January 2023 |

(1) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(2) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(3) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2023. The Company determined that the newly published standards and interpretations have no material impact on the Company.

3. Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|---|---|---|
| 1 | IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures | To be determined by IASB |
| 2 | IFRS 17 “Insurance Contracts” | 1 January 2023 |
| 3 | Classification of Liabilities as Current or Non-current – Amendments to IAS 1 | 1 January 2024 |
| 4 | Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 | 1 January 2024 |
| 5 | Non-current Liabilities with Covenants – Amendments to IAS 1 | 1 January 2024 |

(1) IFRS 10“Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(2) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(3) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(4) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessee additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(5) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Company determined that the newly published standards and interpretations have no material impact on the Company.

## IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of Compliance

The Company's consolidated financial statements for the years ended 31 December 2022 and 2021 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations"), IFRS, IASs, IFRIC and SIC, which are endorsed by FSC (TIFRSs).

2. Basis of preparation

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

3. Foreign currency transactions

The Company's financial statements are presented in NT$, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
(b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

4. Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

(a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
(b) when the retained interest after the partial disposal of an interest in a joint arrangement or partial disposal of an interest in an associate that includes a foreign operation is financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

5. Current and non-current distinction

An asset is classified as current when:
(a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(b) The Company holds the asset primarily for the purpose of trading.
(c) The Company expects to realize the asset within twelve months after the reporting period.
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:
(a) The Company expects to settle the liability in its normal operating cycle
(b) The Company holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

6. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial instruments: recognition and measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

A. the Company's business model for managing the financial assets and
B. the contractual cash flow characteristics of the financial asset.

<u>Financial assets measured at amortized cost</u>

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

A. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

A. purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

*Financial asset measured at fair value through other comprehensive income*

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
   (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
   (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

In addition, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposing of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

*Financial asset measured at fair value through profit or loss*

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from the remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
B. the time value of money
C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(3) Derecognition of financial assets

A financial asset is derecognized when:

A. The rights to receive cash flows from the asset have expired
B. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
C. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(4) Financial liabilities and equity

<u>Classification between liabilities or equity</u>

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
C. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

A. it eliminates or significantly reduces a measurement or recognition inconsistency; or
B. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

8. Derivative instrument

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss except for derivatives that are designated as and effective hedging instruments which are classified as financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value though profit or loss.

9. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(1) In the principal market for the asset or liability, or
(2) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

10. Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - Purchase cost using weighted-average method.
Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

11. Investments accounted for using the equity method

The Company’s investment in subsidiaries is presented based on Article 21 of the Securities Issuer’s Financial Report Preparation Standards, expressed as "investments using the equity method" and made necessary evaluation adjustments to enable individual financial reporting of the current period's profit and loss and other comprehensive gains and losses The current profit and loss and other comprehensive gains and losses in the financial report prepared on a consolidated basis are the same as the share of the owners of the parent company, and the owner’s equity of the individual financial report is the same as the equity of the owners of the parent company in the financial report prepared on a consolidated basis. These adjustments are mainly due to the consideration of the treatment of the consolidated financial statements of the investment subsidiary in accordance with IFRS No. 10 "Consolidated Financial Statements" and the differences in the application of IFRS at different levels of reporting entities, and debits or credits to "investment account for under the equity method", "share of profits and losses of subsidiaries, affiliates and joint ventures using the equity method" or "share of other comprehensive profits and losses of subsidiaries, affiliates and joint ventures using the equity method".

The Company’s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in additional paid-in capital and investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the "share of profit or loss of an associate" in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Company estimates:

(1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

12. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

| | |
|---|---|
| Land and improvements | 3～5 years |
| Buildings | 5～60 years |
| Machinery and equipment | 5～10 years |
| Molding equipment | 7 years |
| Electrical installations | 5～10 years |
| Transportation equipment | 5～10 years |
| Miscellaneous equipment | 5～10 years |

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

13. Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

(1) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(2) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(1) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(3) amounts expected to be payable by the lessee under residual value guarantees;
(4) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
(5) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(1) the amount of the initial measurement of the lease liability;
(2) any lease payments made at or before the commencement date, less any lease incentives received;
(3) any initial direct costs incurred by the lessee; and
(4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Company elected not to assess whether it was a lease modification but accounted it as a variable lease payment and the practical expedient had been applied to such rent concessions.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

14. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss when the asset is derecognized.

Patent, trademark rights and others

The cost of patent, trademark rights and others is amortized on a straight-line basis over the legal period (1～24 years).

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (1～5 years).

15. Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

16. Treasury shares

The Company's subsidiaries' equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

17. Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

<u>Sale of goods</u>

The Company manufactures and sells products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company are automobile lights and parts; the revenue is recognized based on the consideration stated in the contract.

The credit period of the Company's sale of goods is from 30-120 day terms. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

18. Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

19. Government subsidies

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

20. Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur.

Past service costs are recognized in profit or loss on the earlier of:
(1) the date of the plan amendment or curtailment, and
(2) the date that the Company recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

21. Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

<u>Current income tax</u>

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## V. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's parent company only financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### Estimation and assumptions

The key assumptions concerning the future and other key sources for estimating uncertainty at the reporting date, that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

(1) Fair value of financial instruments
Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example the discounted cash flow model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(2) Accounts receivables–estimation of impairment loss
The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(3) Inventory
Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

(4) Pension benefits
The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination rate, expected salary raise, cut or changes. For a detailed explanation of the assumptions used to measure the cost of defined benefits and defined benefits obligations, please refer to Note 6.

(5) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

## VI. CONTENTS OF SIGNIFICANT ACCOUNTS

1. Cash and Cash Equivalents

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Cash on hand and petty cash | $1,778 | $1,617 |
| Saving account | 1,098,120 | 274,589 |
| Time deposits | 61,320 | 4,352 |
| Investments in bonds with resale agreements - corporate bonds | 61,380 | - |
| Total | $1,222,598 | $280,558 |

2. Financial assets at fair value through profit or loss

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Mandatorily measured at fair value through profit or loss: | | |
| Derivatives not designated as hedging instruments | | |
| Forward currency contracts | $- | $1,034 |
| | | |
| Current | $- | $1,034 |

The Company’s financial assets measured at fair value through profit or loss were not pledged as collateral.

3. Financial assets at fair value through other comprehensive income

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Equity instrument investments measured at fair value through other comprehensive income – non-current | | |
| Listed companies’ stocks | $32,144 | $25,700 |
| Unlisted companies’ stocks | 206,484 | 107,478 |
| Total | $238,628 | $133,178 |

The Company’s financial assets measured at fair value through other comprehensive income were not pledged as collateral.

For equity instrument investments measured at fair value through other comprehensive income, the Company recognized dividends in the amount of NT$2,865 thousand and NT$2,473 thousand for the years ended 31 December 2022 and 2021, which were fully related to investments held at the end of the reporting period.

4. Financial assets measured at amortized cost

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Time deposits | $- | $55,540 |
| | | |
| Current | $- | $55,540 |

Financial assets measured at amortized cost were not pledged as collateral.

The Company classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 6.(18) for more details on loss allowance and Note 12 for more details on credit risk.

5. Notes receivables and notes receivables-related parties

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Notes receivables | $6,324 | $13,061 |
| Less: allowance for doubtful accounts | (37) | (81) |
| Subtotal | 6,287 | 12,980 |
| Notes receivables-related parties | 1,566 | 11,057 |
| Less: allowance for doubtful accounts | (7) | (55) |
| Subtotal | 1,559 | 11,002 |
| Total | $7,846 | $23,982 |

Notes receivables were not pledged as collateral.

The Company adopted IFRS 9 for impairment assessment. Please refer to Note 6.(18) for more details on loss allowanceand Note 12 for more details on credit risk.

6. Accounts receivables and accounts receivables-related parties

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Accounts receivables | $1,107,332 | $1,155,011 |
| Less: allowance for doubtful accounts | (150,457) | (158,662) |
| Subtotal | 956,875 | 996,349 |
| Accounts receivables-related parties | 2,770,961 | 2,785,969 |
| Less: allowance for doubtful accounts | (313) | (58) |
| Subtotal | 2,770,648 | 2,785,911 |
| Total | $3,727,523 | $3,782,260 |

Accounts receivables were not pledged as collateral.

Trade receivables are generally on 30-120 day terms. Accounts receivables amounted to NT$ 3,886,183 thousand and NT$ 3,965,098 thousand as at 31 December 2022 and 2021, respectively.

Please refer to Note 6.(18) for more details on impairment of trade receivables for the year ended 31 December 2022 and 2021 and Note 12 for credit risk.

7. Inventories

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Raw materials | $563,947 | $563,759 |
| Work in process | 60,871 | 48,844 |
| Finished goods | 805,942 | 598,592 |
| Merchandise | 32,150 | 30,672 |
| Net | $1,462,910 | $1,241,867 |

The Company's cost of inventories recognized in expenses amounted to NT$9,665,098 thousand and NT$10,009,747 thousand for the years ended 31 December 2022 and 2021, respectively, including gain from price recovery of inventory in the amount of NT$ 8,894 thousand and the inventory scrapping loss caused by the disposal of some sluggish inventories in the amount of NT$6,911 thousand for the years ended 31 December 2022 and 2021, respectively. The reversal of write-down was because of circumstances that caused the net realizable value of inventory to be lower than its cost no longer existed.

Inventories were not pledged as collateral.

8. Investments accounted for under the equity method

(1) Details are as follows:

| Investee Company | 31 Dec. 2022 Amount | 31 Dec. 2022 Percentage of ownership | 31 Dec. 2021 Amount | 31 Dec. 2021 Percentage of ownership |
|---|---|---|---|---|
| Investments in the subsidiaries: | | | | |
| TI YUAN INVESTMENT CO., LTD. | $53,879 | 100.00% | $53,313 | 100.00% |
| TI FU INVESTMENT CO., LTD. (Note 1) | 150,966 | 100.00% | 187,003 | 100.00% |
| CONTEK CO., LTD. | 45,805 | 100.00% | 56,080 | 100.00% |
| SUPRA-ATOMIC CO., LTD. (Note 2) | 1,094,988 | 100.00% | 1,104,756 | 100.00% |
| JUOKU TECHNOLOGY CO., LTD. | 329,348 | 72.10% | 227,157 | 72.10% |
| TAMAU MANAGEMENT CONSULTANCY CO., LTD. | 2,399 | 100.00% | 4,327 | 100.00% |
| BESTE MOTOR CO., LTD. | 1,307,292 | 100.00% | 1,336,457 | 100.00% |
| INNOVA HOLDING CORP. | 1,189,107 | 100.00% | 1,135,535 | 100.00% |
| TYC VIETNAM INDUSTRIAL CO., LTD. | 86,272 | 60.00% | 84,445 | 60.00% |
| Subtotal | 4,260,056 | | 4,189,073 | |
| Investments in the associates | | | | |
| I YUAN PRECISION INDUSTRIAL CO., LTD. | 223,729 | 15.66% | 198,606 | 15.66% |
| Total | $4,483,785 | | $4,387,679 | |

Note：

(1) The Company reduced 2,450 shares in its subsidiary, TI FU INVESTMENT CO., LTD., for capital reduction for the year ended 2022. The Company’s shareholding ratio remained unchanged.

(2) The Company reduced 600,000 shares in its subsidiary, SUPRA-ATOMIC CO., LTD., for capital reduction for the year ended 2022. The Company’s shareholding ratio remained unchanged.

We did not audit the financial statements of certain subsidiaries, associates and joint ventures accounted for under the equity method. The related shares of profits from the subsidiaries, associates and joint ventures under the equity method amounted to NT$108,466 thousand and NT$70,059 thousand, for the years ended 31 December 2022 and 2021, respectively. And the related shares of other comprehensive income (loss) from the subsidiaries, associates and joint ventures under the equity method amounted to NT$29,125 thousand and NT$(54,299) thousand, for the years ended 31 December 2022 and 2021, respectively. The balance of investment in these subsidiaries, associates and joint ventures under equity method amounted to NT$852,728 thousand and NT$732,263 thousand as at 31 December 2022 and 2021, respectively.

(1) Investment in subsidiaries

The investment of subsidiaries in individual financial reports is expressed as “investment accounted for using the equity method” and adjusted using necessary evaluation method.

One of the Company’s subsidiaries, TI FU INVESTMENT CO., LTD. held 940 thousand shares of the Company’s stock as at 31 December 2022 and 2021, respectively.

(2) Investment in the associates

The Company’s investments in the associates are not individually material. The aggregate carrying amount of the Company’s interests in I YUAN PRECISION INDUSTRIAL CO., LTD. was NT$223,729 thousand and NT$198,606 thousand as at 31 December 2022 and 2021, respectively. The aggregate financial information of the Company’s investments in associates was as follows:

| | 2022 | 2021 |
|---|---|---|
| Profit or loss from continuing operations | $33,550 | $9,300 |
| Other comprehensive income (post-tax) | - | - |
| Total comprehensive income | $33,550 | $9,300 |

The associates had no contingent liabilities or capital commitments as at 31 December 2022 and 2021.

9. Property, plant and equipment

Owner occupied property, plant and equipment

| | Land | Land and improvement | Buildings | Machinery and equipment | Molding equipment | Electrical equipment | Transportation equipment | Miscellaneous equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | | | |
| 1 Jan. 2022 | $731,049 | $9,716 | $1,783,078 | $1,420,389 | $10,952,366 | $140,800 | $178,677 | $569,867 | $- | $15,785,942 |
| Addition | - | - | 3,315 | 36,867 | 1,266,627 | 1,821 | 2,888 | 36,968 | 3,335 | 1,351,821 |
| Disposal | - | - | (2,181) | (27,150) | (892,021) | - | (5,298) | (3,730) | - | (930,380) |
| Other | - | - | 3,335 | - | - | - | - | - | (3,335) | - |
| 31 Dec. 2022 | $731,049 | $9,716 | $1,787,547 | $1,430,106 | $11,326,972 | $142,621 | $176,267 | $603,105 | $- | $16,207,383 |
| 1 Jan. 2021 | $731,049 | $9,716 | $1,780,993 | $1,439,884 | $10,884,341 | $140,156 | $177,353 | $553,474 | $- | $15,716,966 |
| Addition | - | - | 1,239 | 14,907 | 978,933 | 644 | 1,870 | 19,001 | 3,370 | 1,019,964 |
| Disposal | - | - | (440) | (34,402) | (910,908) | - | (2,630) | (2,608) | - | (950,988) |
| Other | - | - | 1,286 | - | - | - | 2,084 | - | (3,370) | - |
| 31 Dec. 2021 | $731,049 | $9,716 | $1,783,078 | $1,420,389 | $10,952,366 | $140,800 | $178,677 | $569,867 | $- | $15,785,942 |
| | | | | | | | | | | |
| Depreciation and impairment | | | | | | | | | | |
| 1 Jan. 2022 | $- | $4,521 | $819,211 | $1,127,723 | $7,120,871 | $128,944 | $92,164 | $371,688 | $- | $9,665,122 |
| Depreciation | - | 739 | 45,016 | 55,906 | 1,099,843 | 3,508 | 15,978 | 36,457 | - | 1,257,447 |
| Disposal | - | - | (2,181) | (22,400) | (892,021) | - | (5,298) | (3,730) | - | (925,630) |
| 31 Dec. 2022 | $- | $5,260 | $862,046 | $1,161,229 | $7,328,693 | $132,452 | $102,844 | $404,415 | $- | $9,996,939 |
| 1 Jan. 2021 | $- | $3,781 | $774,012 | $1,103,447 | $6,913,352 | $125,854 | $78,368 | $337,109 | $- | $9,335,923 |
| Depreciation | - | 740 | 45,639 | 57,040 | 1,117,222 | 3,090 | 16,311 | 37,187 | - | 1,277,229 |
| Disposal | - | - | (440) | (32,764) | (909,703) | - | (2,515) | (2,608) | - | (948,030) |
| 31 Dec. 2021 | $- | $4,521 | $819,211 | $1,127,723 | $7,120,871 | $128,944 | $92,164 | $371,688 | $- | $9,665,122 |
| | | | | | | | | | | |
| Net book value: | | | | | | | | | | |
| 31 Dec. 2022 | $731,049 | $4,456 | $925,501 | $268,877 | $3,998,279 | $10,169 | $73,423 | $198,690 | $- | $6,210,444 |
| 31 Dec. 2021 | $731,049 | $5,195 | $963,867 | $292,666 | $3,831,495 | $11,856 | $86,513 | $198,179 | $- | $6,120,820 |

The amount of capitalized interests and interest rates are as follows:

| Items | 2022 | 2021 |
|---|---|---|
| Construction in progress and prepayment for equipment | $10,308 | $9,483 |
| The interest rate interval of borrowing cost capitalization | 0.70%~1.51% | 0.73%~0.97% |

The material components of the Company's building that have different useful lives are the main buildings and factories, which are depreciated based on the useful lives of 60 years and 35 years, respectively.

The material components of the Company's equipment are mainly the processing equipment and are depreciated based on the useful lives of 10 years.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

10. Intangible assets

| | Trademark right | Patent | Software | Royalty | Total |
|---|---|---|---|---|---|
| Cost: | | | | | |
| 1 Jan. 2022 | $12,264 | $11,356 | $105,555 | $9,497 | $138,672 |
| Addition - acquired separately | 810 | 1,570 | 19,284 | 5,164 | 26,828 |
| Decrease | (960) | (113) | (40,548) | (4,809) | (46,430) |
| 31 Dec. 2022 | $12,114 | $12,813 | $84,291 | $9,852 | $119,070 |
| 1 Jan. 2021 | $11,894 | $9,719 | $105,653 | $22,400 | $149,666 |
| Addition - acquired separately | 885 | 2,059 | 7,096 | 4,687 | 14,727 |
| Decrease | (515) | (422) | (7,194) | (17,590) | (25,721) |
| 31 Dec. 2021 | $12,264 | $11,356 | $105,555 | $9,497 | $138,672 |
| | | | | | |
| Amortization and impairment: | | | | | |
| 1 Jan. 2022 | $6,645 | $2,960 | $83,991 | $4,809 | $98,405 |
| Amortization | 1,543 | 941 | 18,869 | 4,688 | 26,041 |
| Decrease | (960) | (113) | (40,548) | (4,809) | (46,430) |
| 31 Dec. 2022 | $7,228 | $3,788 | $62,312 | $4,688 | $78,016 |
| 1 Jan. 2021 | $5,484 | $2,461 | $66,801 | $17,591 | $92,337 |
| Amortization | 1,676 | 921 | 24,384 | 4,808 | 31,789 |
| Decrease | (515) | (422) | (7,194) | (17,590) | (25,721) |
| 31 Dec. 2021 | $6,645 | $2,960 | $83,991 | $4,809 | $98,405 |
| | | | | | |
| Net book value: | | | | | |
| 31 Dec. 2022 | $4,886 | $9,025 | $21,979 | $5,164 | $41,054 |
| 31 Dec. 2021 | $5,619 | $8,396 | $21,564 | $4,688 | $40,267 |

The recognized expense of intangible assets measured at amortized cost under the statement of comprehensive income is as follows:

| | 2022 | 2021 |
|---|---|---|
| Operating cost | $10,339 | $11,008 |
| Operating expense | 15,702 | 20,781 |
| Total | $26,041 | $31,789 |

11. Short-term borrowings

| | Interest rate | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|---|
| Unsecured Loans | 1.52%~1.64% | $300,000 | $958,000 |

12. Short-term notes and bills payable

| | 31 Dec. 2022 | | |
|---|---|---|---|
| Guarantors | Interest rate | Amount | Pledge or Collateral |
| Commercial paper payable | | | |
| International Bills Finance Corporation | 1.81% | $300,000 | none |
| Dah Chung Bills Finance Corporation | 1.71% | 200,000 | none |
| Subtotal | | 500,000 | |
| Less: Discount of commercial paper payable | | (48) | |
| Net | | $499,952 | |

| | 31 Dec. 2021 | | |
|---|---|---|---|
| Guarantors | Interest rate | Amount | Pledge or Collateral |
| Commercial paper payable | | | |
| International Bills Finance Corporation | 0.85% | $170,000 | none |
| Mega Bills Finance Corporation | 0.85% | 160,000 | none |
| Dah Chung Bills Finance Corporation | 0.84% | 150,000 | none |
| China Bills Finance Corporation | 0.84% | 160,000 | none |
| Subtotal | | 640,000 | |
| Less: Discount of commercial paper payable | | (192) | |
| Net | | $639,808 | |

## 13. Financial liabilities at fair value through profit or loss

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Held for trading： | | |
| Derivatives not designated as hedging instruments | | |
| Forward exchange agreement | $5,046 | $- |
| Cross currency swaps agreement | - | 3,577 |
| Total | $5,046 | $3,577 |
| | | |
| Current | $5,046 | $3,577 |

## 14. Long-term borrowings

Details are as follows:

| | 31 Dec. 2022 | | |
|---|---|---|---|
| Creditors | Amount | Interest rate | Redemption |
| First Bank | $750,000 | 1.08% | From 1 Jul. 2019 to 15 Sep. 2026. Principal are repaid monthly, starting from 17 Oct. 2022, and interests are repaid monthly. |
| First Bank | 300,000 | 1.88% | From 28 Jul. 2022 to 28 Jul. 2024. Interests are repaid monthly and bullet repayment on expiry date. |
| First Bank | 100,000 | 1.88% | From 28 Jul. 2022 to 28 Jul. 2024. Interests are repaid monthly and bullet repayment on expiry date. |
| Chang Hwa Bank | 674,699 | 1.13% | From 9 Aug. 2019 to 15 Aug. 2029. Principal are repaid monthly, starting from 17 Oct. 2022, and interests are repaid monthly. |
| Bank of Taiwan | 200,000 | 1.90% | From 6 Jul. 2022 to 6 Jul. 2024. After applying for each drawdown within the credit line, each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| Bank of Taiwan | 450,000 | 1.35% | From 6 Jul. 2021 to 15 Jun. 2026. The grace period is 2 years. Principal are repaid monthly, and interests are repaid monthly. |
| DBS Bank | 264,000 | 1.35%~1.37% | From 6 Nov. 2019 to 15 Oct. 2024. Principal are repaid monthly, starting from 17 Oct. 2022, and interests are repaid monthly. |

| | 31 Dec. 2022 | | |
|---|---|---|---|
| Creditors | Amount | Interest rate | Redemption |
| DBS Bank | 300,000 | 1.85% | From 14 Apr. 2022 to 14 Apr. 2024. After applying for each drawdown within the credit line, pay off all principal and interest payable of each drawn down facility on the expiry date of each principal loan. |
| Yuanta Bank | 550,000 | 1.40% | From 5 Oct. 2022 to 5 Oct. 2024. Each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| Hua Nan Bank | 500,000 | 1.09%~1.29% | From 24 Jul. 2020 to 24 Jul. 2025. Principal are repaid monthly, starting from 15 Aug. 2023, and interests are repaid monthly. |
| Taipei Fubon Bank | 350,000 | 1.75% | From 26 Sep. 2022 to 26 Sep. 2024. Each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| CTBC Bank | 350,000 | 1.70% | From 31 May. 2022 to 31 May. 2024. Each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| Bank Sinopac | 80,000 | 1.68% | From 22 Jun. 2022 to 30 Jun. 2024. Interests are repaid monthly and bullet repayment on expiry date. |
| Mizuho Bank | 900,000 | 1.85% | From 20 Nov. 2022 to 20 Nov. 2024. Each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| Mega Bank | 200,000 | 1.96% | From 14 Jun. 2022 to 13 Jun. 2024. Interests are repaid monthly and bullet repayment on expiry date. |
| Subtotal | 5,968,699 | | |
| Less: current portion | (620,205) | | |
| Total | $5,348,494 | | |

| | 31 Dec. 2021 | | |
|---|---|---|---|
| Creditors | Amount | Interest rate | Redemption |
| First Bank | $800,000 | 0.45% | From 1 Jul. 2019 to 15 Sep. 2026. Principal are repaid monthly, starting from 17 Oct. 2022, and interests are repaid monthly. |
| First Bank | 300,000 | 0.90% | From 16 Aug. 2021 to 16 Aug. 2023. Interests are repaid monthly and bullet repayment on expiry date. |
| Chang Hwa Bank | 700,000 | 0.50% | From 9 Aug. 2019 to 15 Aug. 2029. Principal are repaid monthly, starting from 17 Oct. 2022, and interests are repaid monthly. |
| Bank of Taiwan | 200,000 | 0.90% | From 6 Jul. 2021 to 15 Jun. 2023. After applying for each drawdown within the credit line, each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| Bank of Taiwan | 450,000 | 0.72% | From 6 Jul. 2021 to 15 Jun. 2026. The grace period is 2 years. Principal are repaid monthly, and interests are repaid monthly. |
| DBS Bank | 300,000 | 0.57% | From 6 Nov. 2019 to 15 Oct. 2024. Principal are repaid monthly, starting from 17 Oct. 2022, and interests are repaid monthly. |
| DBS Bank | 270,000 | 0.85% | From 14 Apr. 2021 to 14 Apr. 2023. After applying for each drawdown within the credit line, pay off all principal and interest payable of each drawn down facility on the expiry date of each principal loan. |
| KGI Bank | 200,000 | 0.89% | From 29 Dec. 2021 to 10 Jan. 2024. Interests are repaid monthly and bullet repayment on expiry date. |
| Yuanta Bank | 550,000 | 0.85% | From 27 Aug. 2021 to 27 Aug. 2023. Each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| Hua Nan Bank | 500,000 | 0.46%~0.66% | From 24 Jul. 2020 to 24 Jul. 2025. Principal are repaid monthly, starting from 15 Aug. 2023, and interests are repaid monthly. |

| | 31 Dec. 2021 | | |
|---|---|---|---|
| Creditors | Amount | Interest rate | Redemption |
| Hua Nan Bank | 100,000 | 0.88% | From 5 Feb. 2021 to 5 Feb. 2023. Interests are repaid monthly and bullet repayment on expiry date. |
| Taipei Fubon Bank | 350,000 | 0.85% | From 26 Sep. 2021 to 26 Sep. 2023. Each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| DBS Bank | 249,570 (USD 9,000 thousand) | 0.60% | From 14 Apr. 2021 to 14 Apr. 2023. After applying for each drawdown within the credit line, each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| Subtotal | 4,969,570 | | |
| Less: current portion | (111,301) | | |
| Total | $4,858,269 | | |

Note:
In 2019, the Company financed with designated banks in accordance with the "Project Loan Guidelines to Welcoming Overseas Taiwanese Businesses Return to Invest in Taiwan," and entered into contract terms and normative matters, and completed them in accordance with the approval letter.

15. Post-Employment Benefits

Defined contribution plan

The Company adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. under the Labor Pension Act. The Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

The Company's recognized expenses of the defined contribution plan for the years ended 31 December 2022 and 2021 were NT$41,235 thousand and NT$39,061 thousand, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 3% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company makes estimates of the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the following year, the Company will make up the difference in one appropriation before the end of March of the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under a mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes control and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with IAS 19. The Company expects to contribute NT$26,692 thousand to its defined benefit plan during the 12 months beginning after 31 December 2022.

The defined benefit obligations were expected to mature in 1 year and 6 years as of 31 December 2022 and 2021, respectively.

Pension costs recognized in profit or loss are as follows:

| | 2022 | 2021 |
|---|---|---|
| Current service cost | $1,507 | $2,339 |
| Net interest on the net defined benefit liabilities | 1,122 | 707 |
| Total | $2,629 | $3,046 |

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets measured at fair value are as follows:

| | 31 Dec. 2022 | 31 Dec. 2021 | 1 Jan. 2021 |
|---|---|---|---|
| Defined benefit obligation | $371,299 | $393,957 | $428,432 |
| Plan assets at fair value | (271,863) | (218,698) | (207,627) |
| Net defined benefit liabilities | $99,436 | $175,259 | $220,805 |

Reconciliations of liabilities (assets) of the defined benefit plan are as follows:

| | Defined benefit obligation | Plan assets at fair value | Net defined benefit liabilities (assets) |
|---|---|---|---|
| As of 1 January 2021 | $428,432 | $(207,627) | $220,805 |
| Pension costs recognized in profit or loss: | | | |
| Current service cost | 2,339 | - | 2,339 |
| Interest expense (income) | 1,371 | (664) | 707 |
| Subtotal | 3,710 | (664) | 3,046 |
| Remeasurements of the defined benefit liabilities/assets: | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | (2,272) | - | (2,272) |
| Actuarial gains and losses arising from changes in financial assumptions | (16,024) | - | (16,024) |
| Experience adjustments | 3,561 | - | 3,561 |
| Remeasurements of the defined benefit assets | - | (3,068) | (3,068) |
| Subtotal | (14,735) | (3,068) | (17,803) |
| Payment of benefit obligation | (23,450) | 23,450 | - |
| Contribution by employer | - | (30,789) | (30,789) |
| As of 31 December 2021 | 393,957 | (218,698) | 175,259 |
| Pension costs recognized in profit or loss: | | | |
| Current service cost | 1,507 | - | 1,507 |
| Interest expenses (income) | 2,521 | (1,399) | 1,122 |
| Subtotal | 4,028 | (1,399) | 2,629 |
| Remeasurements of the defined benefit liabilities/assets: | | | |
| Experience adjustments | (11,674) | - | (11,674) |
| Remeasurements of the defined benefit assets | - | (16,936) | (16,936) |
| Subtotal | (11,674) | (16,936) | (28,610) |
| Payment of benefit obligation | (15,012) | 15,012 | - |
| Contribution by employer | - | (49,842) | (49,842) |
| As of 31 December 2022 | $371,299 | $(271,863) | $99,436 |

The principal assumptions used in determining the Company's defined benefit plan are shown below:

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Discount rate | 1.04% | 0.64% |
| Expected rate of salary increase | 1.00% | 1.00% |

A sensitivity analysis for significant assumption as at 31 December 2022 and 2021 was shown below:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Defined benefit obligations increase | Defined benefit obligations decrease | Defined benefit obligations increase | Defined benefit obligations decrease |
| Discount rate increase by 0.5% | $- | $- | $- | $(484) |
| Discount rate decrease by 0.5% | 2,683 | - | 25,056 | - |
| Rate of future salary increase by 0.5% | 2,585 | - | 52,253 | - |
| Rate of future salary decrease by 0.5% | - | - | - | (484) |

The sensitivity analysis above was based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analysis compared to the previous period.

16. Equity

(1) Common stock

As of 31 December 2022 and 2021, TYC BROTHER INDUSTRIAL CO., LTD.'s authorized and issued capital was both NT$4,000,000 thousand with a par value of NT$10 per share, accounting to 400,000 thousand common shares. Its ordinary share capital amounted to $3,128,979 with 312,898 thousand common shares. It also issued preferred share capital in the amount of $300,000, divided into 30,000 thousand shares.

Preferred stock

On 25 March 2021, the Company's board of directors resolved to increase capital by issuing preference shares A, which was approved by the FSC under a letter dated 26 May 2021. The record date of capital increase was set as 5 August 2021. The Company was expected to issue 30,000 thousand shares with a par value of NT$10 per share at the issue price of NT$50 per share. The right and obligation of this issue are as follows:

A. Maturity date: No maturity date. The preferred shareholders have no rights to request the Company to buy back preferred share A. The Company has rights to buy back all or part of the preferred share A five years after the issue date. The preferred shares still outstanding will retain the aforementioned rights and obligations. If the Company pays out dividends in the year of buyback, the dividend amount will be prorated based on the outstanding days.

B. Dividends: The dividend yield of the preferred share A is 4% (annual rate), (5-year interest rate swap (IRS) rate, 0.64275% + fixed rate, 3.35725%) and calculated at the issue price per share. The five-year IRS rate will be reset on the next business day five years after the issue date and every five years thereafter. The record date of the reset is two business days of financial institutions in Taipei prior to the reset date. The five-year IRS rate is the arithmetic mean of the offer prices of Reuter's TAIFXIRS and COSMOS3 at 11 a.m. on the record date of the reset (business day of financial institutions in Taipei). If the aforesaid offer prices are unavailable on the record date of the reset, the five-year IRS rate shall be determined by the Company based on the principle of good faith and reasonable market conditions.

C. Dividend payment: The dividends of preferred share A are fully distributed in cash every year. After the financial statements are adopted in an annual general meeting, the board of directors shall authorize the chairman to set the record date for paying the preferred share dividends of the previous year. The number of dividends issued in the year of issue and in the year of redemption is calculated based on the actual number of days of issue in the current year.

D. The Company shall apply the current year's earnings, if any, to pay for taxes as stipulated by laws and regulations, offset accumulated losses of previous years, and allocate 10% as legal reserve pursuant to laws and regulations. Special reserve shall be set aside or reversed from net shareholder's equity reduction in current or accumulative in prior years in accordance with related regulations. The remaining earnings along with the accumulated unappropriated earnings in prior years as shareholders' bonus shall be appropriated as preferred share dividends in accordance with the Article 7-1, Articles of Incorporation.

E. The Company has discretion over the distribution of preferred stock dividends. If the Company does not generate any or sufficient profits during the year for the distribution of preferred stock dividends, it may resolve not to pay out the dividends and preferred stockholders have no rights to object. The Board of Directors shall propose a surplus earnings distribution in accordance with Article 32-1, Articles of Incorporation to be adopted by the annual general meeting. After the surplus earnings distribution is adopted, the distributable amount of preferred share and common shares shall be distributed to preferred shares first.

F. The preferred shares A issued are non-cumulative. That is, the undistributed dividends or shortages in dividends distributed shall not be accumulated and paid in subsequent years when profits are generated.

G. Participating privilege: The shareholders of preferred share A are not entitled to cash-settled or share dividends derived from earnings or capital reserve.

H. Distribution of residual property: Shareholders of preferred stock A have a higher claim to the Company's residual properties than common stockholders. Different types of preferred shares issued by the Company grant holders the same rights to claims, and the shareholders of preferred share A stay subordinate to general creditors. The amount that the shareholders of preferred share A are entitled to is capped at the product of number of outstanding preferred shares at the time of distribution and issuance price.

I. Voting rights: Shareholders of preferred stock A have neither voting nor election rights. However, they may be elected as directors. They have voting rights in preferred shareholders’ meetings or with respect to agendas associated with the rights and obligations of preferred shareholders in shareholders’ meetings.

J. Conversion to ordinary shares: Preferred share A is non-convertible.

K. Capital reserve issued at preferred share A premium shall not be used as capital during the issuance of the preferred share.

L. For cash offering of new shares, the shareholders of preferred share A have the same preemptive rights as the common shareholders.

(2) Capital surplus

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Issuance of shares | | |
| Common stock | $1,023,509 | $1,023,509 |
| Preferred stock | 1,195,878 | 1,195,878 |
| Subtotal | 2,219,387 | 2,219,387 |
| Treasury stock transactions | 28,891 | 28,891 |
| Bond conversion | 239,469 | 239,469 |
| Share of changes in net assets of associate and joint ventures accounted for using the equity method | 73,530 | 73,530 |
| Adjustments for dividends paid to subsidiaries from parent company | 13,052 | 12,583 |
| Other | 4,193 | 4,017 |
| Total | $2,578,522 | $2,577,877 |

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital reserve related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(3) Treasury stock

As of 31 December 2022 and 2021, the Company's shares held by the subsidiary, TI FU INVESTMENT CO., LTD., was both NT$5,996 thousand, accounting to 940 thousand shares. These shares held by TI FU INVESTMENT CO., LTD. were acquired for the operation before the amendment of the Company Act on 12 November 2001.

(4) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, the current year's net income, after deducting payment of taxes and making up losses for preceding years, shall appropriate 10% as legal reserve, except for when accumulated legal reserve has reached the Company's paid-in capital, the rest shall be appropriated or reserved as special reserve as legally required. If there is still a remaining balance, together with the accumulated undistributed earnings, the Company shall distribute it according to the distribution plan of special dividends (not less than 50% of the available surplus for the current year, of which the cash dividend shall not be less than 10%). The board of directors shall draft a distribution proposal and submit it to the shareholders meeting for a resolution of distribution.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributes distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

The FSC on 31 March 2021 issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

The appropriations of earnings for 2022 were resolved at the board of directors’ meeting on 16 March 2023. The appropriations of earning for 2021 were resolved at the general shareholders’ meeting on 23 June 2022. The plans were as follows:

| | Appropriation of earnings | | Dividend per share (NT$) | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Legal reserve | $94,525 | $20,992 | | |
| Special reserve | (189,982) | 53,990 | | |
| Common stock -cash dividend | 563,216 | 156,449 | NT$1.80/ per share | NT$0.50/ per share |
| Preferred stock -cash dividend (Note) | 60,000 | 23,671 | NT$2.00/ per share | NT$0.80/ per share |

Note: The cash dividends were calculated based on the number of days outstanding and the interest rate of shares at 4% for the year ended 2021.

Please refer to Note 6.(20) for relevant information on estimation basis and recognized amount of employees compensations and remunerations to directors and supervisors.

17. Operating revenue

| Revenue from contracts with customers | 2022 | 2021 |
|---|---|---|
| Sale of goods | $11,530,952 | $11,193,999 |

Analysis of revenue from contracts with customers for the years ended 2022 and 2021 was as follows:

A. The Company is a single operating department; please refer to the previous paragraph for the income information that should be disclosed by the reporting department.

B. The types of revenue from contracts signed with customers in 2022 and 2021 were both recognized at a certain point in time.

18. Expected credit losses / (gains)

| | 2022 | 2021 |
|---|---|---|
| Operating expense- expected credit losses / (gains) | | |
| Notes Receivables | $(92) | $(3) |
| Accounts receivables | (7,950) | 1,705 |
| Total | $(8,042) | $1,702 |

Please refer to Note 12 for more details on credit risk.

The credit risk measured at amortized cost is assessed as low (the same as the assessment result in the beginning of the period). Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses. As the Company transacts with financial institutions with good credit, no allowance for losses has been provided in this period.

The Company measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company’s loss allowance as at 31 December 2022 and 2021 was as follows:

The Company considers trade receivables that the credit loss is actually included in the impairment loss except for individual customers by counterparties’ credit rating, by geographical region and by industry sector and its loss allowance is measured by using provision matrix, details are as follow:

As at 31 December 2022

| | Not yet due (Note) | Overdue <=90 days | Overdue 91-180 days | Overdue 181-270 days | Overdue >=271 days | Total |
|---|---|---|---|---|---|---|
| Gross carrying amount | $3,640,383 | $95,320 | $2,945 | $- | $147,535 | $3,886,183 |
| Loss ratio | 0%~1% | 1%~5% | 35%~40% | - | 100% | |
| Lifetime expected credit losses | (592) | (1,585) | (1,102) | - | (147,535) | (150,814) |
| Carrying amount | $3,639,791 | $93,735 | $1,843 | $- | $- | $3,735,369 |

As at 31 December 2021

| | Not yet due (Note) | Overdue <=90 days | Overdue 91-180 days | Overdue 181-270 days | Overdue >=271 days | Total |
|---|---|---|---|---|---|---|
| Gross carrying amount | $3,715,720 | $100,708 | $923 | $- | $147,747 | $3,965,098 |
| Loss ratio | 0%~1% | 1%~5% | 100% | - | 100% | |
| Lifetime expected credit losses | (4,721) | (5,465) | (923) | - | (147,747) | (158,856) |
| Carrying amount | $3,710,999 | $95,243 | $- | $- | $- | $3,806,242 |

Note：The Company’s note receivables are not overdue.

The movement in the provision for impairment of note receivables and accounts receivables for the years ended 2022 and 2021 was as follows:

| | Note receivables | Accounts receivables |
|---|---|---|
| 1 Jan. 2022 | $136 | $158,720 |
| Addition/(reversal) for the current period | (92) | (7,950) |
| 31 Dec. 2022 | $44 | $150,770 |

| | Note receivables | Accounts receivables |
|---|---|---|
| 1 Jan. 2021 | $139 | $162,119 |
| Addition/(reversal) for the current period | (3) | 1,705 |
| Write off | - | (5,104) |
| 31 Dec. 2021 | $136 | $158,720 |

19. Leases

(1) The Company as a lessee

The Company leases various properties, including real estate such as land, and buildings. The lease terms range from 5 to 20 years.

The Company's leases effect on the financial position, financial performance and cash flows are as follows:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets
The carrying amount of right-of-use assets

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Land | $625,126 | $625,688 |
| Buildings | 44,805 | 57,521 |
| Total | $669,931 | $683,209 |

(b) Lease liabilities

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Current | $39,953 | $39,388 |
| Non-current | 535,487 | 575,440 |
| Total | $575,440 | $614,828 |

Please refer to Note 6.21(3) for the interest on lease liabilities recognized for the years ended 31 December 2022 and 2021 and refer to Note 12.(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at 31 December 2022 and 2021.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

| | 2022 | 2021 |
|---|---|---|
| Land | $562 | $562 |
| Buildings | 12,716 | 12,715 |
| Total | $13,278 | $13,277 |

C. Income and costs relating to leasing activities

| | 2022 | 2021 |
|---|---|---|
| The expenses relating to short-term leases | $464 | $104 |
| The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets) | 858 | 838 |

D. Cash outflow relating to leasing activities

For the years ended 31 December 2022 and 2021, the Company’s total cash outflows for leases amounted to NT$49,209 thousand and NT$48,830 thousand, respectively.

20. For the year ended 31 December 2022 and 2021, the Company’s aggregate information on personnel, depreciation and amortization expenses were as follows:

| Function / Character | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Classified as operating costs | Classified as operating expenses | Total | Classified as operating costs | Classified as operating expenses | Total |
| Employee benefits expense | | | | | | |
| Salaries | $611,614 | $356,977 | $968,591 | $573,205 | $317,488 | $890,693 |
| Insurances | 69,488 | 37,002 | 106,490 | 67,752 | 35,678 | 103,430 |
| Pensions | 26,787 | 17,077 | 43,864 | 25,012 | 17,095 | 42,107 |
| Director's remuneration | - | 18,500 | 18,500 | - | 5,200 | 5,200 |
| Other personnel expenses | 34,549 | 18,701 | 53,250 | 30,060 | 17,896 | 47,956 |
| Depreciations | 1,204,076 | 66,649 | 1,270,725 | 1,223,631 | 66,875 | 1,290,506 |
| Amortization | 10,339 | 15,702 | 26,041 | 11,008 | 20,781 | 31,789 |

(1) The number of the Company’s employees as of 31 December 2022 and 2021 were 1,607 and 1,630, respectively, including 7 and 7 directors who were not concurrently employees.

(2) Companies which have been listed on Taiwan Stock Exchange or Taiwan Over-the Counter Securities Exchange should disclose the following information:

A. Average employee benefits of 2022 and 2021 were NT$733 thousand and NT$668 thousand, respectively.

B. Average salaries of 2022 and 2021 were NT$605 thousand and NT$549 thousand, respectively.

C. The Company's average salary expense adjustment for the year ended 31 December 2022 decreased by 10.20%.

D. The Company has established an audit committee to replace the supervisor, so the supervisor’s remuneration has not been recognized.

E. The salary and remuneration policy of the Company:

Director’s remuneration established pursuant to Articles 32 of the Company’s Articles of Incorporation is as follows:

The Company shall allocate no more than 3% of annual profit as director’s remuneration; however, the Company’s accumulated losses shall have been covered first. The managers’ remuneration and employee’s compensation are determined based on the salary level of the position in the industry, the position's responsibilities and contribution to the Company's operation goals. In addition to the Company's overall operating performance, factors such as personal performance achievement and contribution to the corporate performance are also considered when determining remuneration to provide reasonable compensation to employees.

According to the Articles of Incorporation, 1% of profit of the current year is distributable as employees’ compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees’ compensation in the form of shares or in cash; and in addition, thereto a report of such distribution is submitted to the shareholders’ meeting. Information on the Board of Directors’ resolution regarding the employees’ compensation and remuneration to directors and supervisors can be obtained from the “Market Observation Post System” on the website of the TWSE.

Based on the profit level, the Company estimated NT$28,000 thousand employees’ compensation and NT$18,500 thousand remuneration to directors and supervisors as salaries expenses. A resolution was approved at a Board of Directors meeting held on 16 March 2023 to distribute NT$ 28,000 thousand and NT$18,500 thousand in cash as employee’s compensation and remuneration to directors and supervisors, respectively.

There is no significant difference between the actual employee bonuses and remuneration to directors and supervisors distributed from the 2021 earnings and the estimated amount in the financial statements for the year ended 2021.

21. Non-operating income and expenses

(1) Other income

| | 2022 | 2021 |
|---|---|---|
| Rent income | $2,252 | $2,002 |
| Interest income | 2,645 | 203 |
| Dividend income | 2,865 | 2,473 |
| Other income-other | 26,806 | 27,957 |
| Total | $34,568 | $32,635 |

(2) Other gains and losses

| | 2022 | 2021 |
|---|---|---|
| Gains (Losses) on disposal of property, plant and equipment | $(3,716) | $1,889 |
| Foreign exchange gains (losses), net | 384,230 | (139,538) |
| (Losses) Gains on financial assets or liabilities at fair value through profit or loss | (33,128) | 19,604 |
| Other losses | (4,344) | (9,310) |
| Total | $343,042 | $(127,355) |

(3) Finance costs

| | 2022 | 2021 |
|---|---|---|
| Interest on borrowings from bank | $(64,031) | $(50,808) |
| Interest on lease liabilities | (8,499) | (9,055) |
| Total | $(72,530) | $(59,863) |

22. Components of other comprehensive income (loss)

| Year ended 31 Dec. 2022 | Arising during the period | Income tax profit (expense) | Net of tax |
|---|---|---|---|
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Remeasurements of defined benefit pension plans | $28,610 | $(5,722) | $22,888 |
| Unrealized gains from equity instruments investments measured at fair value through other comprehensive income | (5,053) | - | (5,053) |
| Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method | (20,057) | - | (20,057) |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | 220,788 | (44,158) | 176,630 |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | 35,367 | (7,073) | 28,294 |
| Total other comprehensive income | $259,655 | $(56,953) | $202,702 |

| Year ended 31 Dec. 2021 | Arising during the period | Income tax profit (expense) | Net of tax |
|---|---|---|---|
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Remeasurements of defined benefit pension plans | $17,804 | $(3,561) | $14,243 |
| Unrealized gains from equity instruments investments measured at fair value through other comprehensive income | 2,058 | - | 2,058 |
| Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method | (3,073) | - | (3,073) |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | (77,907) | 15,581 | (62,326) |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | 14,698 | (2,939) | 11,759 |
| Total other comprehensive income | $(46,420) | $9,081 | $(37,339) |

23. Income Tax

The major components of income tax expense (income) for the years ended 2022 and 2021 were as follows:

Income tax expense recognized in profit or loss

| | 2022 | 2021 |
|---|---|---|
| Current income tax expense (benefit): | | |
| Current income tax charge | $165,055 | $9,093 |
| Adjustments in respect of current income tax of prior periods | - | 24,592 |
| Deferred tax expense (income): | | |
| Deferred income tax expense (income) related to origination and reversal of temporary differences | (19,526) | 772 |
| Deferred income tax related to recognition and derecognition of tax losses and unused tax credits | 43,414 | 7,787 |
| Total Income tax expense | $188,943 | $42,244 |

Income tax relating to components of other comprehensive income

| | 2022 | 2021 |
|---|---|---|
| Deferred tax expense (income): | | |
| Exchange differences on translation of foreign operations | $44,158 | $(15,581) |
| Remeasurements of the defined benefit plan | 5,722 | 3,561 |
| Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method | 7,073 | 2,939 |
| Income tax relating to components of other comprehensive income | $56,953 | $(9,081) |

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate is as follows:

| | 2022 | 2021 |
|---|---|---|
| Net profit before tax from continuing operations | $1,121,476 | $235,515 |
| Tax at the domestic rates applicable to profits in the country concerned | $224,295 | $47,103 |
| Tax effect of revenues exempt from taxation | (34,751) | (16,261) |
| Tax effect of expenses not deductible for tax purposes | 13 | 20 |
| Tax effect of deferred tax assets/liabilities | (4,500) | (13,210) |
| Adjustments in respect of current income tax of prior periods | 3,886 | 24,592 |
| Total income tax expenses recorded in profit or loss | $188,943 | $42,244 |

Significant components of deferred income tax assets and liabilities are as follows:

<u>For the year ended 31 December 2022</u>

| | As of 1 Jan. 2022 | Recognized in income | Recognized in other comprehensive income | As of 31 Dec. 2022 |
|---|---|---|---|---|
| Temporary differences | | | | |
| Unrealized exchange losses (gains) | $5,741 | $(8,934) | $- | $(3,193) |
| Allowance for doubtful debts | 30,805 | (1,444) | - | 29,361 |
| Allowance for inventory valuation losses | 15,552 | (1,779) | - | 13,773 |
| Exchange differences on translation of foreign operations | 110,210 | - | (51,231) | 58,979 |
| Financial assets at fair value through profit or loss | 509 | 501 | - | 1,010 |
| Unrealized profits or losses on transactions with associates | 97,898 | 40,683 | - | 138,581 |
| Reserve for land value increment tax | (38,717) | - | - | (38,717) |
| Compensated absences provisions | 6,862 | 283 | - | 7,145 |
| Net defined benefit liabilities, non-current | 35,052 | (9,443) | (5,722) | 19,887 |
| Depreciation difference for tax purpose | 3,160 | (155) | - | 3,005 |
| Impairment on property, plant and equipment | 6,200 | (186) | - | 6,014 |
| Unused tax losses | 43,414 | (43,414) | - | - |
| Deferred income tax benefit (expenses) | | $(23,888) | $(56,953) | |
| Deferred tax assets and liabilities net | $316,686 | | | $235,845 |
| As presented on the financial statement: | | | | |
| Deferred tax assets | $355,403 | | | $277,755 |
| Deferred tax liabilities | $(38,717) | | | $(41,910) |

For the year ended 31 December 2021

| | As of 1 Jan. 2021 | Recognized in income | Recognized in other comprehensive income | As of 31 Dec. 2021 |
|---|---|---|---|---|
| Temporary differences | | | | |
| Unrealized exchange losses (gains) | $2,896 | $2,845 | $- | $5,741 |
| Allowance for doubtful debts | 30,802 | 3 | - | 30,805 |
| Allowance for inventory valuation losses | 14,170 | 1,382 | - | 15,552 |
| Exchange differences on translation of foreign operations | 97,568 | - | 12,642 | 110,210 |
| Financial assets at fair value through profit or loss | 3,404 | (2,895) | - | 509 |
| Unrealized profits or losses on transactions with associates | 91,420 | 6,478 | - | 97,898 |
| Reserve for land value increment tax | (38,717) | - | - | (38,717) |
| Compensated absences provisions | 6,620 | 242 | - | 6,862 |
| Net defined benefit liabilities, non-current | 44,161 | (5,548) | (3,561) | 35,052 |
| Impairment loss of assets | 2,598 | (2,598) | - | - |
| Depreciation difference for tax purpose | 3,757 | (597) | - | 3,160 |
| Impairment on property, plant and equipment | 6,284 | (84) | - | 6,200 |
| Unused tax losses | 51,201 | (7,787) | - | 43,414 |
| Deferred income tax benefit (expenses) | | $(8,559) | $9,081 | |
| Deferred tax assets and liabilities net | $316,164 | | | $316,686 |
| As presented on the financial statement: | | | | |
| Deferred tax assets | $354,881 | | | $355,403 |
| Deferred tax liabilities | $(38,717) | | | $(38,717) |

The following table contains information of the unused tax losses:

| Year | Tax losses for the period | Unused tax losses as at 31 Dec. 2022 | Unused tax losses as at 31 Dec. 2021 | Expiration year |
|---|---|---|---|---|
| 2020 | $220,638 | $- | $217,069 | 2030 |

The assessment of income tax returns

As of 31 December 2022, the assessment of the income tax returns of the Company and its subsidiaries was as follows:

| | The assessment of income tax returns |
|---|---|
| The Company | 2020<br>(2019 not yet assessed and approved) |

24. Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

| | 2022 | 2021 |
|---|---|---|
| (1) Basic earnings per share | | |
| Profit attributable to ordinary equity holders of the Company (in thousand NT$) | $932,533 | $193,271 |
| Dividends on preference shares (in thousand NT$) | (23,671) | - |
| Profit used in computation of earnings per share (in thousand NT$) | 908,862 | 193,271 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands of shares) | 311,958 | 311,958 |
| Basic earnings per share (NT$) | $2.91 | $0.62 |

| | 2022 | 2021 |
|---|---|---|
| (2) Diluted earnings per share | | |
| Profit attributable to ordinary equity holders of the Company (in thousand NT$) | $932,533 | $193,271 |
| Dividends on preference shares (in thousand NT$) | (23,671) | - |
| Profit used in computation of earnings per share (in thousand NT$) | 908,862 | 193,271 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands of shares) | 311,958 | 311,958 |
| Effect of dilution: | | |
| Employee bonus－stock (in thousands) | 1,114 | 759 |
| Weighted average number of ordinary shares outstanding after dilution (in thousands) | 313,072 | 312,717 |
| Diluted earnings per share (NT$) | $2.90 | $0.62 |

No other transactions that would significantly affect the outstanding common shares or potential ordinary shares incurred during the period after reporting date and up to the approval date the financial statements.

## VII. RELATED PARTIES TRANSACTIONS

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

| Name of the related parties | Nature of relationship of the related parties |
|---|---|
| FORTOP INDUSTRIAL CO., LTD. | Substantive related party |
| GENERA CORPORATION | Subsidiary |
| JUOKU TECHNOLOGY CO., LTD. | Subsidiary |
| T.I.T. INTERNATIONAL CO., LTD. | Subsidiary |
| DBM REFLEX OF TAIWAN CO., LTD. | Subsidiary |
| TYC EUROPE B.V. | Subsidiary |
| BRITEVIEW AUTOMOTIVE LIGHTING CO., LTD. | Director of the company |
| I YUAN PRECISION INDUSTRIAL CO., LTD. | Associate |
| TAMAU MANAGEMENT CONSULTANCY CO., LTD. | Subsidiary |
| CHANGZHOU TAMAO PRECISION INDUSTRY CO., LTD | Subsidiary |
| KUN SHAN TYC HIGH PERFORMANCE TECH CO., LTD. | Subsidiary |
| TAYIH KENMOS AUTO PARTS CO., LTD. | Substantive related party |
| JNS AUTO PARTS LIMITED | Associate |
| VARROC TYC AUTO LAMPS CO., LTD. | Joint Venture |
| TA YIH INDUSTRIAL CO., LTD. | Substantive related party |
| BUILDUP INTERNATIONAL TRADING CO., LTD. | Substantive related party |
| TYC VIETNAM INDUSTRIAL CO., LTD. | Subsidiary |
| BESTE MOTOR CO., LTD. | Subsidiary |

Significant transactions with related parties

(1) Sales

| | 2022 | 2021 |
|---|---|---|
| Subsidiaries | | |
| GENERA CORPORATION | $4,472,620 | $4,253,801 |
| TYC EUROPE B.V. | 1,634,598 | 1,909,486 |
| Other | 213,433 | 308,635 |
| Subtotal | 6,320,651 | 6,471,922 |
| Joint Ventures | 114 | 236 |
| Other related parties | 72,281 | 68,802 |
| Total | $6,393,046 | $6,540,960 |

The Company sold products to some related parties mainly based on the US OEM price × 0.24 as the reference price. The payment term was T/T 135 days; some related parties who were single manufacturers, therefore the price could not be compared. The payment term was T/T 150 days; the sales price of some related parties was equivalent to that of non-related parties, and the terms of collection were every other month, payable between 1 to 3 months, which was equivalent to ordinary transactions.

(2) Purchases

| | 2022 | 2021 |
|---|---|---|
| Subsidiaries | | |
| JUOKU TECHNOLOGY CO., LTD. | $368,607 | $305,392 |
| T.I.T. INTERNATIONAL CO., LTD. | 290,393 | 237,798 |
| Other | 55,743 | 58,850 |
| Subtotal | 714,743 | 602,040 |
| Associates | | |
| I YUAN PRECISION INDUSTRIAL CO., LTD. | 459,890 | 506,930 |
| Other | 1,672 | 1,745 |
| Subtotal | 461,562 | 508,675 |
| Other related parties | | |
| FORTOP INDUSTRIAL CO., LTD. | 811,164 | 873,087 |
| BUILDUP INTERNATIONAL TRADING CO., LTD. | 214,411 | 236,306 |
| Other | 23,243 | 22,080 |
| Subtotal | 1,048,818 | 1,131,473 |
| Total | $2,225,123 | $2,242,188 |

The Company purchases goods from related parties. Its bargaining method for purchase is the same as that of non-related parties. The payment terms are the next month of the purchase, and are payable between 1 to 3 months, which is equivalent to ordinary transactions.

(3) Notes receivables - related parties

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Other related parties | | |
| BRITEVIEW AUTOMOTIVE LIGHTING CO., LTD. | $- | $9,686 |
| FORTOP INDUSTRIAL CO., LTD. | 1,566 | 1,371 |
| Subtotal | 1,566 | 11,057 |
| Less: allowance for doubtful accounts | (7) | (55) |
| Net | $1,559 | $11,002 |

(4) Accounts receivables - related parties

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Subsidiaries | | |
| GENERA CORPORATION | $2,074,978 | $1,988,403 |
| TYC EUROPE B.V. | 501,095 | 534,600 |
| Other | 173,728 | 251,378 |
| Subtotal | 2,749,801 | 2,774,381 |
| Joint ventures | - | 37 |
| Other related parties | 21,160 | 11,551 |
| Total | 2,770,961 | 2,785,969 |
| Less: allowance for doubtful accounts | (313) | (58) |
| Net | $2,770,648 | $2,785,911 |

(5) Other receivables(non-financing)

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Subsidiaries | | |
| GENERA CORPORATION | $- | $15,393 |
| TYC EUROPE B.V. | - | 6,467 |
| Other | 6,761 | 5,072 |
| Subtotal | 6,761 | 26,932 |
| Joint ventures | 4,390 | 1,941 |
| Associates | - | - |
| Other related parties | 802 | 923 |
| Total | 11,953 | 29,796 |
| Less: allowance for doubtful accounts | (972) | (144) |
| Net | $10,981 | $29,652 |

(6) Accounts payables - related parties

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Subsidiary | | |
| JUOKU TECHNOLOGY CO., LTD. | $141,240 | $123,573 |
| Other | 119,304 | 139,831 |
| Subtotal | 260,544 | 263,404 |
| Associates | | |
| I YUAN PRECISION INDUSTRIAL CO., LTD. | 118,149 | 179,521 |
| Other | 294 | 634 |
| Subtotal | 118,443 | 180,155 |
| Other related parties | | |
| FORTOP INDUSTRIAL CO., LTD. | 270,025 | 294,294 |
| Other | 27,376 | 34,997 |
| Subtotal | 297,401 | 329,291 |
| Total | $676,388 | $772,850 |

(7) Significant asset transactions

Acquisition of property, plant and equipment

| | Purchase price | |
|---|---|---|
| Subsidiaries | 2022 | 2021 |
| CHANGZHOU TAMAO PRECISION INDUSTRY CO., LTD. | $214,846 | $166,905 |
| JUOKU TECHNOLOGY CO., LTD. | 39,308 | 45,716 |
| DBM REFLEX OF TAIWAN CO., LTD. | 47,412 | 58,918 |
| Other | - | 214 |
| Subtotal | 301,566 | 271,753 |
| Other related parties | 18,519 | 25,611 |
| Total | $320,085 | $297,364 |

(8) Financing

The Company's financing to other related parties is as follows:(other accounts receivables)

| Subsidiaries | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| BESTE MOTOR CO., LTD. | $61,320 | $- |

(9) Key management personnel compensation

| | 2022 | 2021 |
|---|---|---|
| Short-term employee benefits | $43,732 | $40,677 |
| Post-employment benefits | 594 | 728 |
| Total | $44,326 | $41,405 |

## VIII. ASSETS PLEDGED AS SECURITY

The following table lists assets of the Company pledged as collateral:

| | Amount | | |
|---|---|---|---|
| Item | 2022 | 2021 | Purpose of pledge |
| Property, plant and equipment-Land | $161,590 | $161,590 | Bank borrowings |
| Property, plant and equipment-Buildings | 238,841 | 248,539 | Bank borrowings |
| Refundable Deposits | 16,450 | 16,450 | Collateral for land lease |
| Total | $416,881 | $426,579 | |

## IX. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENT

As of 31 December 2022, the Company was involved in the following activities that were not shown in the financial statements:

1. In order to assist the subsidiary T.I.T. INTERNATIONAL CO., LTD. in obtaining loan credit line, the Company issued a Stand-by L/C USD 1,000 thousand as a guarantee.

2. According to “the Regulations Governing the Establishment and Management of Bonded Warehouses,” the Company paid guarantee payable of bonded warehouse registration in the amount of NT$ 8,000 thousand.

3. On 8 July 2020, the Court of California in the United States of America dismissed all claims brought in the United States by Pilot Inc.(Pilot) in relation to commercial disputes including distribution contracts between Pilot and the Company and its subsidiary GENERA and its employees. Pilot again submitted the same dispute to the Singapore International Arbitration Centre for arbitration. The Company's appointed counsel, based on the available information, assessed that Pilot's claim for damages was not supported by relevant evidence and was not legally justified. As of the financial report adoption date of 16 March 2023, it is not possible to assess the impact of the lawsuit on the Company's financials and business based on the information currently available.

4. In June 2021, the Company was informed that HYUNDAI MOTOR COMPANY and KIA CORPORATION filed a patent infringement lawsuit in the Court of California in the United States, claiming that the Company and its subsidiary GENERA infringed its lamp patents nos. 478 and 931. Having been made aware of the content of the action, the Company, together with its subsidiary GENERA, has appointed lawyers to carry out the proceedings in the interests of the Company. As of the financial report adoption date of 16 March 2023, it is not possible to assess the impact of the lawsuit on the Company's financials and business based on the information currently available.

5. In 2022, the Company filed an arbitration claim against VarrocCorp Holding BV and Varroc Engineering Limited for violating the transition management agreement and confidentiality agreement, and at the same time applied for interim relief, requesting certain actions and related damages. The Company has appointed lawyers to respond to the follow-up arbitration procedure, continued to follow up and understand the progress of the case, and protected the rights and interests of the Company's shareholders. As of the financial report adoption date of 16 March 2023, it is not possible to assess the impact of the lawsuit on the Company's financials and business based on the information currently available.

## X. SIGNIFICANT DISASTER LOSS

None.

## XI. SIGNIFICANT SUBSEQUENT EVENTS

None.

## XII. OTHER

1. Categories of financial instruments

Financial assets

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Financial assets measured at fair value through profit or loss: | | |
| Mandatorily measured at fair value through profit or loss | $- | $1,034 |
| Financial assets at fair value through other comprehensive income | 238,628 | 133,178 |
| Financial assets measured at amortized cost: | | |
| Cash and cash equivalents (excluding cash on hand) | 1,220,820 | 278,941 |
| Financial assets measured at amortized cost | - | 55,540 |
| Notes receivables (related parties included) | 7,846 | 23,982 |
| Accounts receivables (related parties included) | 3,727,523 | 3,782,260 |
| Other receivables | 148,681 | 151,546 |
| Refundable deposits | 18,836 | 17,835 |
| Subtotal | 5,123,706 | 4,310,104 |
| Total | $5,362,334 | $4,444,316 |

Financial Liabilities

| | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|
| Financial liabilities measured at amortized cost: | | |
| Short-term borrowings and short-term notes and bills payable | $799,952 | $1,597,808 |
| Payables | 2,883,484 | 3,010,539 |
| Long-term borrowings (current portion included) | 5,968,699 | 4,969,570 |
| Lease liabilities | 575,440 | 614,828 |
| Guarantee deposit (under the account of other non-current liabilities-others) | 575 | 592 |
| Subtotal | 10,228,150 | 10,193,337 |
| Financial liabilities at fair value through profit or loss: | | |
| Held for trading | 5,046 | 3,577 |
| Total | $10,233,196 | $10,196,914 |

2. Financial risk management objectives and policies

The Company's risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant financial activities, due approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

3. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise currency risk, interest rate risk, and other price risk (such as equity instruments related risks).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly affected by USD and EUR. Sensitivity analysis is as follows:

(a) When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2022 and 2021 decreases/increases by NT$34,654 thousand and NT$28,805 thousand, respectively.
(b) When NTD strengthens/weakens against EUR by 1%, the profit for the years ended 31 December 2022 and 2021 decreases/increases by NT$8,114 thousand and NT$6,458 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company’s exposure to the risk of changes in market interest rates relates primarily to the Company’s debt instrument investment at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December 2022 and 2021 to increase/decrease by NT$5,609 thousand and NT$5,979 thousand, respectively.

Equity price risk

The fair value of the Company’s listed and unlisted equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company’s listed and unlisted equity securities are classified as measured at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company’s senior management on a regular basis. The Company’s board of directors reviews and approves all equity investment decisions.

At the reporting date, a change of 10% in the price of the listed companies’ stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT$32 thousand and NT$26 thousand on the equity attributable to the Company for years ended 31 December 2022 and 2021, respectively.

Please refer to Note 12.(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

4. Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancement procedures, such as requesting for prepayment or insurance.

As at 31 December 2022 and 2021, accounts receivables from top ten customers represented 75.10% and 76.62% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counterparties.

5. Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, bank borrowings and finance leases. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

| | Less than 1 year | 2 to 3 years | 3 to 4 years | > 5 years | Total |
|---|---|---|---|---|---|
| 31 Dec. 2022 | | | | | |
| Borrowings | $932,736 | $4,866,491 | $448,891 | $182,169 | $6,430,287 |
| Short-term notes and bills | 500,000 | - | - | - | 500,000 |
| Payables | 2,883,484 | - | - | - | 2,883,484 |
| Lease liabilities(Note) | 47,887 | 80,519 | 80,035 | 427,224 | 635,665 |
| | | | | | |
| 31 Dec. 2021 | | | | | |
| Borrowings | $1,076,071 | $3,706,780 | $945,581 | $280,772 | $6,009,204 |
| Short-term notes and bills | 640,000 | - | - | - | 640,000 |
| Payables | 3,010,539 | - | - | - | 3,010,539 |
| Lease liabilities(Note) | 47,887 | 88,389 | 80,035 | 467,241 | 683,552 |

Note：Information about the maturities of lease liabilities is provided in the table below:

| | Maturities | | | |
|---|---|---|---|---|
| | Less than 5 years | 5 to 10 years | 10 to 15 years | Total |
| 31 Dec. 2022 | $208,441 | $164,228 | $262,996 | $635,665 |
| 31 Dec. 2021 | 216,311 | 183,138 | 284,103 | 683,552 |

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities as at 31 December 2022 and 2021:

| | Short-term borrowings | Short-term notes and bills payable | Long-term Borrowings (Current portion included) | Other borrowings | Lease liabilities | Total liabilities from financing activities |
|---|---|---|---|---|---|---|
| 1 Jan. 2022 | $958,000 | $639,808 | $4,969,570 | $- | $614,828 | $7,182,206 |
| Cash flows | (658,000) | (139,856) | 999,129 | - | (39,388) | 161,885 |
| Non-cash flows | - | - | - | - | - | - |
| 31 Dec. 2022 | $300,000 | $499,952 | $5,968,699 | $- | $575,440 | $7,344,091 |
| 1 Jan. 2021 | $375,590 | $- | $4,558,613 | $1,999,439 | $653,661 | $7,587,303 |
| Cash flows | 582,410 | 639,808 | 410,957 | (1,999,439) | (38,833) | (405,097) |
| Non-cash flows | - | - | - | - | - | - |
| 31 Dec. 2021 | $958,000 | $639,808 | $4,969,570 | $- | $614,828 | $7,182,206 |

7. Fair value of financial instruments

(1) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

A. The carrying amount of cash and cash equivalents, trade receivables, refundable deposits, accounts payable, guarantee deposit and other current liabilities approximate their fair value due to their short maturities.

B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities etc.) at the reporting date.

C. Fair value of equity instruments without market quotations (including private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities)

D. Fair value of debt instruments without market quotations, bank loans, short-term notes and bills payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(2) Fair value of financial instruments measured at amortized cost

The book value of the Company’s financial assets and liabilities measured at amortized cost approximate their fair value.

(3) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.(9) for fair value measurement hierarchy for financial instruments of the Company.

8. Derivative financial instruments

The Company’s derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at 31 December 2022 and 2021 was as follows:

Forward currency contracts

The Company entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

| Items (by contract) | Notional Amount | Expiry Date |
|---|---|---|
| As at 31 Dec. 2022 | | |
| Forward currency contract | Sell foreign currency EUR 5,000 thousand | From 10 Nov. 2022 to 14 Mar. 2023 |
| As at 31 Dec. 2021 | | |
| Forward currency contract | Sell foreign currency USD 6,000 thousand | From 14 Dec. 2021 to 24 Jan. 2022 |
| Forward currency contract | Sell foreign currency EUR 2,000 thousand | From 16 Dec. 2021 to 14 Feb. 2022 |

With regard to the forward foreign exchange contracts, as they have been entered into to hedge the foreign currency risk of net assets or net liabilities, and there will be corresponding cash inflow or outflows upon maturity and the Company has sufficient operating funds, the cash flow risk is insignificant.

Cross Currency Swaps Contract

Cross currency swaps contract is used to avoid exchange rate and interest rate risks, but these contracts were not designated as hedging instruments. The unexpired cross currency swaps contract that the Company did not apply hedging accounting were as follows:

31 December 2022:

| Contract amount | Contract period | Interest rate paid | Charge interest rate | During the exchange |
|---|---|---|---|---|
| None | None | None | None | None |

31 December 2021:

| Contract amount | Contract period | Interest rate paid | Charge interest rate | During the exchange |
|---|---|---|---|---|
| Swap out USD 6,000 thousand Exchange into NT$ 168,000 thousand | From 17 Apr. 2020 to 17 Apr. 2022 | -<br>0.66% | 0.61%<br>- | From 18 Jan. 2021 to 28 Jan. 2022 |

| Contract amount | Contract period | Interest rate paid | Charge interest rate | During the exchange |
|---|---|---|---|---|
| Swap out USD 3,000 thousand Exchange into NT$ 84,600 thousand | From 17 Apr. 2020 to 17 Apr. 2022 | - | 0.61% | From 26 Mar. 2021 to 28 Mar. 2022 |
| | | 0.66% | - | |

The aforementioned derivatives transaction counterparties are well-known domestic and foreign banks with good credit, so the credit risk is not high.

9. Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 - Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

31 Dec. 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at fair value: | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity instrument measured at fair value through other comprehensive income | $32,144 | $- | $206,484 | $238,628 |
| Financial liabilities at fair value: | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Forward currency contracts | - | 5,046 | - | 5,046 |

31 Dec. 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at fair value: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Forward currency contracts | $- | $1,034 | $- | $1,034 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity instrument measured at fair value through other comprehensive income | 25,700 | - | 107,478 | 133,178 |
| Financial liabilities at fair value: | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Cross currency swaps contract | - | 3,577 | - | 3,577 |

Transfers between Level 1 and Level 2 during the period

For the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

| | At fair value through other comprehensive income - stocks | At fair value through other comprehensive income - stocks |
|---|---|---|
| | 2022 | 2021 |
| Beginning balances | $107,478 | $67,511 |
| Total gains and losses recognized: | | |
| Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income) | (4) | 2,444 |
| Acquired in the period | 100,000 | 50,000 |
| Disposal in the period | (990) | - |
| Proceeds from capital reduction in the period | - | (12,477) |
| Ending balances | $206,484 | $107,478 |

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at 31 December 2022

| | Valuation techniques | Significant unobservable inputs | Quantitative information | Relationship between inputs and fair value | Sensitivity of the input to fair value |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| Financial assets at fair value through other comprehensive income-non current | | | | | |
| Stocks | Market approach | discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Company's profit or loss by NT$10,808 thousand |

As at 31 December 2021

| | Valuation techniques | Significant unobservable inputs | Quantitative information | Relationship between inputs and fair value | Sensitivity of the input to fair value |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| Financial assets at fair value through other comprehensive income-non current | | | | | |
| Stocks | Market approach | discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Company's profit or loss by NT$12,000 thousand |

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

10. Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below(Amounts in thousands of Foreign Currencies):

| | 31 Dec. 2022 | | |
|---|---|---|---|
| | Foreign currency | Exchange | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $121,916 | 30.684500 | $3,740,932 |
| EUR | 24,718 | 32.827812 | 811,438 |
| CNY | 34,395 | 4.447480 | 152,971 |
| Non- monetary items: | | | |
| USD | 118,535 | 30.684500 | 3,637,192 |
| VND | 66,465,331 | 0.001298 | 86,272 |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | $8,981 | 30.684500 | $275,577 |
| CNY | 61 | 4.447480 | 271 |

| | 31 Dec. 2021 | | |
|---|---|---|---|
| | Foreign currency | Exchange | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $126,236 | 27.687853 | $3,495,204 |
| EUR | 20,565 | 31.403533 | 645,814 |
| CNY | 47,128 | 4.350654 | 205,038 |
| Non- monetary items: | | | |
| USD | 131,207 | 27.687853 | 3,632,828 |
| VND | 69,674,092 | 0.001212 | 84,445 |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | $22,199 | 27.687853 | $614,643 |

The Company has various functional currencies. No information about the foreign exchange gains or losses by a specific currency is available. For the years ended 31 December 2022 and 2021, the foreign exchange gains (losses) on monetary financial assets and financial liabilities were NT$384,230 thousand and NT$(139,538) thousand respectively.

The above information is disclosed based on the carrying amounts of the foreign currencies (after conversion to the functional currency).

11. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

## XIII. ADDITIONAL DISCLOSURES

(1) The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau:

(a) Financing provided to others for the year ended 31 December 2022: Please refer to Attachment 1.

(b) Endorsement/Guarantee provided to others for the year ended 31 December 2022: Please refer to Attachment 2.

(c) Securities held as of 31 December 2022 (excluding subsidiaries, associates and joint venture): Please refer to Attachment 3.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2022: None.

(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2022: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2022: None.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended 31 December 2022: Please refer to Attachment 4.

(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of 31 December 2022: Please refer to Attachment 5.

(i) Names, locations and related information of investees as of 31 December 2022(excluding investment in Mainland China): Please refer to Attachment 6.

(j) Financial instruments and derivative transactions: Please refer to Note6(2)、Note6(13) and Note12(8).

(2) Investment in Mainland China:

(a) Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 7.

(b) Directly or indirectly significant transactions through third regions with the investees in Mainland China, including price, payment terms, unrealized gain or loss, and other events with significant effects on the operating results and financial condition: Please refer to Attachment 1, Attachment 2 and Attachment 7.

(3) Information on major shareholders:

Name of major shareholders, number of shares held and proportion of shares held: Please refer to Attachment 8.

## XIV. OPERATING SEGMENT INFORMATION

In accordance with Article 22 of the Regulations, the Company is not required to prepare operating segment information for the parent company only financial statements. Please refer to the consolidated financial statements of TYC BROTHER INDUSTRIAL CO., LTD. and subsidiaries for operating segment information.

Attachment 1: Financing provided to others

| No. (Note 1) | Lender | Counter-party | Financial statement account | Related Party | Maximum balance for the period (Note 9) | Ending balance | Actual amount provided | Interest rate | Nature of financing (Note 6) | Amount of sales to (purchases from) counter-party (Note 7) | Reason for short-term financing (Note 8) | Allowance for doubtful accounts | Collateral | | Limit of financing amount for individual counter-party | Limit of total financing amount | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | The Company | BESTE MOTOR CO., LTD. | Other receivables | Y | $153,300 (USD 5,000 thousand) | $153,300 (USD 5,000 thousand) | $61,320 (USD 2,000 thousand) | 2.00%~ 5.00% | 2 | $- | Need for operating | $- | - | $- | $1,769,103 (Note 2) | $3,538,206 (Note 3) | - |
| 1 | SUPRA-ATOMIC Co., LTD. | KUN SHAN TYC HIGH PERFORMANCE CO., LTD. | Other receivables | Y | 27,594 (USD 900 thousand) | 27,594 (USD 900 thousand) | 27,594 (USD 900 thousand) | 2.70% | 2 | - | Need for operating | - | - | - | 1,340,396 (Note 4) | 1,340,396 (Note 5) | - |

(Note 1) The financial information of the parent company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

(Note 2) Limit of financing amount for the parent company:

(1) Business contacts: limit of financing amount for individual counterparty shall not exceed 20% of the lender's net asste's value and the amount needed for operation. The amount of operation is the amount of business transaction in recent year between the lender and the counterparty.

(2) Necessary of need for operating：Limit of financing amount for individual counterparty shall not exceed 20% of the lender's net assets value as of the period.

(Note 3) Limit of total financing amount shall not exceed 40% of the parent company's net asset value.

(Note 4) Limit of financing amount for individual counterparty:

(1) Business contacts: limit of financing amount for individual counterparty shall not exceed 20% of the lender's net asste's value and the amount needed for operation. The amount of operation is the amount of business transaction in recent year between the lender and the counterparty.

(2) Necessary of need for operating：Limit of financing amount for individual counterparty shall not exceed 20% of the lender's net assets value as of the period.

(3) Individual financing between foreign companies of which subsidiaries directly and indirectly hold 100% voting shares is not subject to the limit of 20% of the lender's net assets value as of the period, but is limited to 100% of total assets.

(Note 5) Limit of total financing amount shall not exceed 40% of the subsidiary's net asset value.

(1) Individual financing between foreign companies of which subsidiaries directly and indirectly hold 100% voting shares is not subject to the limit of 40% of the lender's net asset of thef period, but is limited to 100% total assets.

(Note 6) The financing provided to others are coded as follows:

(1) Business contacts is coded "1".

(2) Short-term financing is coded "2".

(Note 7) If financing provided to others is coded "1" , the amount of business transactions should be filled in. The amount of operation is the amount of business transaction in recent year between lender and the counterparty.

(Note 8) If financing provided to others is coded "2". The reasons for the necessary loans and funds and the use of the loans and counterparty shall be specified, such as repayment, purchasing equipments, necesarry for operating, etc.

(Note 9) The balance of which is the maximum balance of financing provided to others in the current year.

(Note 10) The exchange rate of the USD to the NTD is 1:30.66.

Attachment 2: Endorsement/Guarantee provided to others

| No. (Note1) | Endorsor/ Guarantor | Receiving party | | Limit of guarantee/ endorsement amount for receiving party (Note 3) | Maximum balance for the period (Note 5) | Ending balance (Note 6) | Actual amount provided (Note7) | Amount of collateral guarantee/ endorsement | Percentage of accumulated guarantee amount to net assets value from the latest financial statement | Limit of total guarantee/ endorsement amount (Note 4) | Parent company's guarantee/ endorsement amount to subsidiaries | Subsidiaries' guarantee/ endorsement amount to parent company | Guarantee/ endorsement amount to company in Mainland China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Company name | Releationship (Note 2) | | | | | | | | | | |
| 0 | The Company | KUN SHAN TYC HIGH PERFORMANCE CO., LTD. | (2) | $1,769,103 | $582,540 (USD 19,000 thousand) | $582,540 (USD 19,000 thousand) | $490,560 (USD 16,000 thousand) | - | 6.59% | $3,538,206 | Y | N | Y |
| 0 | The Company | T.I.T. INTERNATIONAL CO., LTD. | (2) | 1,769,103 | 153,300 (USD 5,000 thousand) | 153,300 (USD 5,000 thousand) | 153,300 (USD 5,000 thousand) | - | 1.73% | 3,538,206 | Y | N | N |

(Note 1) The Company and its subsidiaries are coded as follows:
(1)The Company is coded "0".
(2)The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

(Note 2) According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, the receiving parties shall be disclosed as one of the following:
(1) A company with which it does business.
(2) A company in which the public company directly and indirectly holds more than 50% of the voting shares.
(3) A company that directly and indirectly holds more than 50 % of the voting shares in the public company.
(4) A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
(5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
(6) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

(Note 3) Limit of guarantee/endorsement amount for receiving party is 20% of the net worth of the financial report reviewed by the certified public accountants as of 31 December 2022.
(Note 4) Limit of total guarantee/ endorsement amount is 40% of the net worth of the financial report reviewed by the certified public accountants as of 31 December 2022.
(Note 5) The balance of which is the maximum balance of endorsement/guarantee provided to others in the current year.
(Note 6) The amount the Company and its subsidiaries approved through the board of directors for the endorsements for others.
(Note 7) The actual amount drawn within endorsement balance by the endorsed company.
(Note 8) The exchange rate of USD to NTD is 1:30.66.

Attachment 3: Securities held as of 31 December 2022. (Excluding subsidiaries, associates and joint ventures)

| Holding Company | Type and name of securities(Note1) | Relationship | Financial statement account | as of 31 December 2022 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares(per) | Book value | Percentage of ownership (%) | Fair value | |
| The Company | Unlisted stock-FORTOP INDUSTRIAL CO.,LTD | Substantive related parties of the company | Financial assets measured at fair value through other comprehensive gains and losses, non-current | 391,722 | $43,157 | 19.59% | $43,157 | No guarantee or pledge |
| | Unlisted stock-BRITEVIEW AUTOMOTIVE LIGHTING CO., LTD. | The parent company is its corporate director | Financial assets measured at fair value through other comprehensive gains and losses, non-current | 360,000 | 13,327 | 18.00% | 13,327 | No guarantee or pledge |
| | Listed stock-LSC Ecosystem Corporation | None | Financial assets measured at fair value through other comprehensive gains and losses, non-current | 9,999,999 | 150,000 | 7.90% | 150,000 | No guarantee or pledge |
| | Listed stock-LASTER TECHCO., LTD | None | Financial assets measured at fair value through other comprehensive gains and losses, non-current | 931,704 | 32,144 | 0.87% | 32,144 | No guarantee or pledge |
| TSM TECH CO., LTD. | Fuzhou Ching Ho Automobile Accessory Co., Ltd. | Investment company measured at fair value through other comprehensive gains and losses | Financial assets measured at fair value through other comprehensive gains and losses, non-current | - | 8,010 | 3.73% | 8,010 | No guarantee or pledge |
| TI YUAN INVESTMENT CO., LTD. | Listed stock-I YUAN PRECISION INDUSTRIAL CO., LTD. | The Company measured at fair value for using equity method. | Investment accounting for using equity method | 900,914 | 38,152 | 2.51% | - | No guarantee or pledge(Note 2) |
| TI FU INVESTMENT CO., LTD. | Listed stock-T.Y.C. BROTHER INDUSTRIAL CO., LTD. | Holding company's parent company | Financial assets measured at fair value through other comprehensive gains and losses, non-current | 939,707 | 26,171 | - | 26,171 | No guarantee or pledge |
| | Listed stock-LASTER TECH CO., LTD. | None | Financial assets measured at fair value through other comprehensive gains and losses, non-current | 2,039,070 | 70,348 | 1.91% | 70,348 | No guarantee or pledge |

(Note 1)Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 ‘Financial instruments’.

(Note 2)The investment was accounted for using the equity method in the consolidated financial statement.

Attachment 4: Related party transactions for purchases and sales exceeding the lower of NT$100 million or 20 percent of the capital stock as of 31 December 2022

| Related party | Counterparty | Relationship | Intercompany Transactions | | | | Details of non-arm's length transaction | | Notes and accounts receivable (payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases (Sales) | Amount | Percentage of total consolidated purchase (Sales) | Terms | Unit price | Terms | Carrying amount | Percentage of total consolidated receivables (payable) | |
| The Company | GENERA CORPORATION | Subsidiary of the Company | Sales | $4,472,620 | 38.79% | T/T 135 days | The price is determined according to the US OEM price×0.24 as the reference price | Generally, payment is received 1 to 3 months after the end of the month. Due to the long distance of transportation, longer payment terms will be imposed. | Accounts receivable $2,074,978 | 53.39% | - |
| | TYC EUROPE BV. | Subsidiary of the Company | Sales | 1,634,598 | 14.18% | T/T 120 days | A single manufacturer and no other manufacturers to compare | Generally, payment is received 1 to 3 months after the end of the month. Due to the long distance of transportation, longer payment terms will be imposed. | Accounts receivable 501,095 | 12.89% | - |
| | T.I.T. INTERNATIONAL CO., LTD. | Subsidiary of the Company | Sales | 130,945 | 1.14% | T/T 150 days | comparable to general customers | | Accounts receivable 18,802 | 0.48% | - |
| | JUOKU TECHNOLOGY CO., LTD. | Subsidiary of the Company | Purchases | 368,607 | 4.86% | credit on 90 days | comparable to general customers | | Accounts payable 141,240 | 5.92% | - |
| | T.I.T. INTERNATIONAL CO., LTD. | Subsidiary of the Company | Purchases | 290,393 | 3.83% | credit on 60 days | comparable to general customers | | Accounts payable 49,069 | 2.06% | - |
| | FORTOP INDUSTRIAL CO., LTD | Substantive related parities of the Company | Purchases | 811,164 | 10.70% | credit on 90 days | comparable to general customers | | Accounts payable 270,025 | 11.32% | - |
| | I YUAN PRECISION INDUSTRIAL CO., LTD. | The Company measured at fair value for using equity method. | Purchases | 459,890 | 6.06% | credit on 90 days | comparable to general customers | | Accounts payable 118,149 | 4.95% | - |
| | BUILDUP INTERNATIONAL TRADING CO., LTD. | Substantive related parties of the Company | Purchases | 214,411 | 2.83% | credit on 20 days | comparable to general customers | | Accounts payable 15,461 | 0.65% | - |
| JUOKU TECHNOLOGY CO., LTD | The Company | Holding company's parent company | Sales | 434,163 | 23.01% | T/T 90 days | N/A | | Accounts receivable 141,560 | 30.84% | - |
| JUOKU TECHNOLOGY CO., LTD | PT ASTRA JUOKU INDONESIA | Joint ventures of the Company | Sales | 184,192 | 9.76% | credit on 90 days | N/A | | Accounts receivable 67,745 | 14.76% | - |
| T.I.T. INTERNATIONAL CO., LTD. | The Company | Holding company's parent company | Sales | 312,210 (THB 357,179 thousand) | 46.94% | T/T 90 days | N/A | | Accounts receivable 65,118 (THB 74,497 thousand) | 42.47% | - |
| CHANGZHOU TAMAO PRECISION INDUSTRY CO.,LTD. | The Company | Holding company's parent company | Sales | 185,432 (USD 6,048 thousand) | 90.47% | T/T 90 days | N/A | | Accounts receivable 157,316 (USD 5,131 thousand) | 83.52% | - |
| GENERA CORPORATION | The Company | Holding company's parent company | Purchases | 5,427,249 (USD 177,014 thousand) | 75.52% | T/T 135 days | N/A | | Accounts payable 2,006,850 (USD 65,455 thousand) | 88.04% | - |
| TYC EUROPE BV. | The Company | Holding company's parent company | Purchases | 1,476,896 (EUR 45,415 thousand) | 100.00% | T/T 120 days | N/A | | Accounts payable 493,914 (EUR 15,188 thousand) | 100.00% | - |
| T.I.T. INTERNATIONAL CO., LTD. | The Company | Holding company's parent company | Purchases | 133,664 (THB 152,916 thousand) | 50.35% | T/T 90 days | N/A | | Accounts payable 12,480 (THB 14,277 thousand) | 14.20% | - |

(Note 1)The exchange rate of USD to NTD is 1:30.66.

The exchange rate of EUR to NTD is 1:32.52.

The exchange rate of THB to NTD is 1:0.8741.

Attachment 5: Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of 31 December 2022

| Related party | Counterparty | Relationship | Amount | Average collection turnover | Overdue account receivable-related parties | | Amount received in subsequent period | Allowance for doubtful debts |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Processing method | | |
| The Company | GENERA CORPORATION | Subsidiary of the Company | $2,074,978 | 2.20 | $663,306 | Collection has been strengthened | $1,023,957 | $- |
| | TYC EUROPE BV. | Subsidiary of the Company | 501,095 | 3.16 | - | Collection has been strengthened | 267,964 | - |
| | KUN SHAN TYC HIGH PERFORMANCE CO., LTD. | Subsidiary of the Company | 146,855 | 0.21 | 138,614 | Collection has been strengthened | 7,293 | - |
| JUOKU TECHNOLOGY CO., LTD. | The Company | Holding company's parent company | 141,560 | 3.28 | 646 | Collection has been strengthened | 74,670 | - |

Attachment 6: Names, locations, main businesses and products, original investment amount, investment as of 31 December 2022, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2022: (Excluding investment in Mainland China)

| Investor | Investee company | Address | Main businesses and products | Initial Investment | | Investment as of 31 December 2022 | | | Net income (loss) of investee company | Investment income (loss) recognized (Note2) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Ending balance | Beginning balance | Number of shares | Percentage of ownership (%) | Book value (Note1) | | | |
| The Company | JUOKU TECHNOLOGY CO., LTD. | No. 25, Gongye 3rd Rd., Annan Dist., Tainan City | Manufacturing and sale of automobile parts | $313,730 | $313,730 | 27,923,401 | 72.10% | $329,348 | $131,744 | $94,987 | Subsidiary of the Company |
| | TI YUAN INVESTMENT CO., LTD. | 12F., No. 212, Yuping Rd., Anping Dist., Tainan City | Marketable securities trading business | 30,053 | 30,053 | 5,731 | 100.00% | 53,879 | 1,274 | 1,274 | Subsidiary of the Company |
| | TI FU INVESTMENT CO., LTD. | 12F., No. 212, Yuping Rd., Anping Dist., Tainan City | Marketable securities trading business | 30,076 (Note 4) | 30,076 | 9,550 (Note 4) | 100.00% | 150,966 | 34,682 | 34,213 | Subsidiary of the Company (Note 3) |
| | TAMAU MANAGEMENT CONSULTANCY CO., LTD. | 18F., No. 573, Qingping Rd., Anping Dist., Tainan City | Management consult | 1,000 | 1,000 | 260,000 | 100.00% | 2,399 | (1,818) | (1,818) | Subsidiary of the Company |
| | SUPRA-ATOMIC CO., LTD. | British Virgin Islands | Reinvestment holding activities | 2,800,469 (Note 5) | 2,819,741 | 65,332,450 (Note 5) | 100.00% | 1,094,988 | (59,897) | (59,897) | Subsidiary of the Company |
| | BESTE MOTOR CO., LTD. | British Virgin Islands | Reinvestment holding activities | 322,939 | 322,939 | 12,072,000 | 100.00% | 1,307,292 | (59,006) | (59,006) | Subsidiary of the Company |
| | CONTEK CO., LTD. | British Virgin Islands | Reinvestment holding activities | 66,512 | 66,512 | 2,186,000 | 100.00% | 45,805 | (10,976) | (10,976) | Subsidiary of the Company |
| | I YUAN PRECISION INDUSTRIAL CO., LTD | No. 25, Zhongxing S. St., Sanchong Dist., New Taipei City | Manufacturing, processing and sale of automobile parts | 126,907 | 126,907 | 5,617,854 | 15.66% | 223,729 | 184,884 | 33,593 | The Company measured at fair value for using equity method. |
| | INNOVA HOLDING CORP. | Delaware, U.S.A | Reinvestment holding activities | 745,370 | 745,370 | 5,549 | 100.00% | 1,189,107 | 69,947 | 69,947 | Subsidiary of the Company |
| | TYC VIETNAM INDUSTRIAL CO., LTD. | Vietnam | Manufacture and sale automobile lights | 88,740 | 88,740 | - | 60.00% | 86,272 | (2,160) | (1,296) | Subsidiary of the Company |

Attachment 6: Names, locations, main businesses and products, original investment amount, investment as of 31 December 2022, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2022: (Excluding investment in Mainland China)

| Investor | Investee company | Address | Main businesses and products | Initial Investment | | Investment as of 31 December 2022 | | | Net income (loss) of investee company | Investment income (loss) recognized (Note2) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Ending balance | Beginning balance | Number of shares | Percentage of ownership (%) | Book value (Note1) | | | |
| JUOKU TECHNOLOGY CO., LTD. | TSM TECH CO., LTD. | British Virgin Islands | Reinvestment holding activities | $10,122 | $10,122 | 300,000 | 100.00% | $9,286 | $1 | $1 | Sub Subsidiary of the Company |
| | PT ASTRA JUOKU INDONESIA | Indonesia | Manufacture and sale automobile lights | 276,640 | 276,640 | 1,126,500 | 50.00% | 214,030 | 91,628 | 45,814 | Joint ventures of the Company |
| TI FU INVESTMENT CO., LTD. | DBM REFLEX OF TAIWAN CO., LTD. | No. 54, Xinle Rd., Tainan City | Manufacture tooling mold and international trading business | 25,500 (Note 6) | 25,500 | 6,000,000 (Note 6) | 50.00% | 121,995 | 66,885 | 33,443 | Sub Subsidiary of the Company |
| SUPRA-ATOMIC CO., LTD. | EUROPILOT CO., LTD. | British Virgin Islands | Reinvestment holding activities | 440,278 (USD 14,360 thousand) | 440,278 (USD 14,360 thousand) | 14,359,821 | 100.00% | 561,923 | 53,719 | 53,719 | Sub Subsidiary of the Company |
| | MOTOR-CURIO CO., LTD. | British Virgin Islands | Reinvestment holding activities | 58,039 (USD 1,893 thousand) | 58,039 (USD 1,893 thousand) | 1,893,400 | 100.00% | 176,484 | 32,330 | 32,330 | Sub Subsidiary of the Company |
| | SPARKING CO., LTD. | British Virgin Islands | Reinvestment holding activities | 1,101,185 (USD 35,916 thousand) | 1,101,185 (USD 35,916 thousand) | 30,915,717 | 100.00% | 39,969 | (188,240) | (188,240) | Sub Subsidiary of the Company |
| | EUROLITE CO., LTD. | British Virgin Islands | Reinvestment holding activities | 636,440 (USD 20,758 thousand) | 636,440 (USD 20,758 thousand) | 14,697,972 | 100.00% | 192,183 | 19,991 | 19,991 | Sub Subsidiary of the Company |
| | UNIMOTOR CO., LTD. | British Virgin Islands | Reinvestment holding activities | 211,155 (USD 6,887 thousand) | 211,155 (USD 6,887 thousand) | 6,887,000 | 100.00% | 338,045 | 18,778 | 18,778 | Sub Subsidiary of the Company |
| EUROPILOT CO., LTD. | TYC EUROPE BV. | Henery Moorest roat 25 1328 LS Almere HOLLAND | Sale automobile lights | 440,278 (USD 14,360 thousand) | 440,278 (USD 14,360 thousand) | 120,000 | 100.00% | 561,889 | 53,716 | 53,716 | Third-tier Subsidiary of the Company |
| EUROLITE CO., LTD. | T.I.T. INTERNATIONAL CO., LTD. | 350/132 Srikrung House Rama 3 Road Chongnonsi Yannawa Bangkok, Thailand | Manufacture and sale of lighting fixtures and daily-use product for automobile | 636,440 (USD 20,758 thousand) | 636,440 (USD 20,758 thousand) | 4,994,900 | 99.98% | 192,120 | 19,988 | 19,984 | Third-tier Subsidiary of the Company |
| BESTE MOTOR CO., LTD. | VARROC TYC CORPORATION | British Virgin Islands | Reinvestment holding activities | 431,448 (USD 14,072 thousand) | 431,448 (USD 14,072 thousand) | 14,072,000 | 50.00% | 1,383,116 | 33,723 | 16,861 | Joint ventures of the Company |
| CONTEK CO., LTD. | ATECH INTERNATIONAL CO., LTD. | Cayman Islands | Reinvestment holding activities | 68,985 (USD 2,250 thousand) | 68,985 (USD 2,250 thousand) | 2,250,000 | 25.00% | 43,943 | (44,933) | (11,233) | The Company measured at fair value for using equity method. |
| INNOVA HOLDING CORP. | GENERA CORPORATION | State of California, U.S.A. | Sale of automobile lights and parts | 379,847 (USD 12,389 thousand) | 379,847 (USD 12,389 thousand) | 12,388,505 | 100.00% | 1,729,561 (USD 56,411 thousand) | 65,980 (USD 2,152 thousand) | 65,980 (USD 2,152 thousand) | Sub Subsidiary of the Company |
| | W&W REAL PROPERTY, INC. | State of California, U.S.A. | Sale of and rental of real estate | 30,660 (USD 1,000 thousand) | 30,660 (USD 1,000 thousand) | 1,000,000 | 100.00% | 101,975 (USD 3,326 thousand) | 6,040 (USD 197 thousand) | 6,040 (USD 197 thousand) | Sub Subsidiary of the Company |

(Note 1)The book value of the investment using the equity method is the net amount after deducting the unrealized gains and losses of downstream transactions.

(Note 2)The investment income recognized didn't eliminate unrealized gain or loss on transactions between the Company and its investees, and recognized I YUAN PRECISION INDUSTRIAL CO., LTD at 18.17% investment gains and losses.

(Note 3)The company treats shares of the Company that the subsidiaries hold as treasury stocks.

The book value of the investment using the equity method is the net amount after deducting the treasury stocks.

(Note 4)TI FU INVESTMENT CO., LTD. applied for a capital reduction and returned the capital increase out of capital surplus in the amount of NT$24,500 thousand.

(Note 5)SUPRA-ATOMIC CO., LTD. applied for a capital reduction and returned the share capital in the amount of NT$19,272 thousand.

(Note 6)DBM REFLEX OF TAIWAN CO., LTD. applied for a capital reduction and returned the capital increase out of capital surplus in the amount of NT$27,500 thousand to TI FU INVESTMENT CO., LTD..

(Note 7)The exchange rate of USD to NTD is 1:30.66.

Attachment 7: Investment in Mainland China

| Investee company | Main Businesses and Products | Total Amount of Paid-in Capital | Method of Investment (Note 1) | Accumulated Outflow of Investment from Taiwan as of 1 January 2022 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of 31 Decembe 2022 | Net income (loss) of investee company | Percentage of Ownership | Investment income (loss) recognized (Note 2) | Carrying Value as of 31 December 2022 | Accumulated Inward Remittance of Earnings as of 31 December 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| VARROC TYC AUTO LAMPS CO.,LTD. | Manufacture automobile lights | $827,820 (USD 27,000 thousand) | (1)VARROC TYC CORPORATION | $390,302 (USD 12,730 thousand) | $- | $- | $390,302 (USD 12,730 thousand) | $34,084 | 50% | $17,042 | $2,766,122 | $523,243 |
| CHANGZHOU TAMAO PRECISION INDUSTRY CO., LTD. | Manufacture and sale of precision molds | 198,278 (USD 6,467 thousand) | (1)UNIMOTOR INDUSTRIAL CO., LTD. | 198,278 (USD 6,467 thousand) | - | - | 198,278 (USD 6,467 thousand) | 18,759 | 100% | 18,759 | 337,856 | - |
| HANGZHOU SUNNYTECH CO., LTD. | Industrial styling and product design | 8,196 (CNY 1,870 thousand) | (1)SPARKING CO., LTD. | 5,090 (USD 166 thousand) | - | - | 5,090 (USD 166 thousand) | (158) | 30% | (47) | 11,036 | - |
| JNS AUTO PARTS LIMITED | Manufacture automobile parts | 499,758 (USD 16,300 thousand) | (1)MOTOR-CURIO CO., LTD. | 61,320 (USD 2,000 thousand) | - | - | 61,320 (USD 2,000 thousand) | 166,371 | 20% | 33,274 | 173,365 | - |
| KUN SHAN TYC HIGH PERFORMANCE | Manufacture, process and assemble of various high-efficiency energy-saving lamps and accessories | 919,800 (USD 30,000 thousand) | (1)SPARKING CO., LTD. | 1,073,100 (USD 35,000 thousand) | - | - | 1,073,100 (USD 35,000 thousand) | (187,569) | 100% | (187,569) | 28,902 | - |
| CHIN-LI-MA HIGHT PERFORMANCE LUMINAIRE CO., LTD. | Design amd manufacture high-efficiency energy-saving lamps | 13,797 (USD 450 thousand) | (2)CHANGZHOU TAMAO PRECISION INDUSTRY CO., LTD. | - | - | - | - | - | 30% | - | - | - |
| KUNSHAN ATECH AUTOPARTS MANUFACTURING CO., LTD. | Manufacture automobile parts | 214,620 (USD 7,000 thousand) | (1)ATECH INTERNATIONAL CO., LTD. | 53,655 (USD 1,750 thousand) | - | - | 53,655 (USD 1,750 thousand) | 1,564 (USD 51 thousand) | 25% | 399 (USD 13 thousand) | 42,525 (USD 1,387 thousand) | - |
| ATECH(JIANGSU) INDUSTRIAL TECHNOLOGY CO., LTD. | Manufacture automobile parts | 61,320 (USD 2,000 thousand) | (1)ATECH INTERNATIONAL CO., LTD. | 15,330 (USD 500 thousand) | - | - | 15,330 (USD 500 thousand) | 3,250 (USD 106 thousand) | 25% | 828 (USD 27 thousand) | 60,768 (USD 1,982 thousand) | - |

| Accumulated Investment in Mainland China | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|---|---|---|
| $2,160,610 (USD 70,470 thousand) | $1,966,195 (USD 64,129 thousand) | (Note 3) |

(Note 1) Methods of investment are divided into three:

(1)Indirectly investment in Mainland China through companies registered in a third region

(2)Reinvest with Mainland China company's own funds

(3)Other

(Note 2) The investment income recognized didn't eliminate unrealized gain or loss on transactions between the Company and its investees.

(Note 3) According to 97.8.22 “Regulations Governing Permission for Investment or Technical Cooperation in Mainland China" and the amendment to “Review Principles of Investment or Technical Cooperation in Mainland china", the cumulative amount of investors' investment in Mainland China according to the upper limit set for other enterprises: 60% of its net value or the consolidated net value, whichever is higher. However, enterprises for which the Industrial Development Bureau of the Ministry of Economic Affairs issued the certificate of compliance or the Taiwan subsidiaries of international enterprises shall not be subject to the restriction. The Company qualifies as business headquarters therefore the upper limit does not apply.

(Note 4) The exchange rate of the USD to the NTD is 1:30.66.
The exchange rate of the CNY to the NTD is 1:4.383.

Attachment 8:Information on major shareholders

| Name of ordinary shares / Name of major shareholders | Number of shares held | Percentage of ownership |
|---|---|---|
| TA YIH TA INVESTMENT CO., LTD. (Note 3) | 74,649,044 | 21.77% |
| YIH HENG INVESTMENT CO., LTD. | 57,420,654 | 16.74% |

(Note 1) The main shareholder information in this table is calculated based on the information available from the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter. The total number of ordinary shares and special shares held by the shareholders which have completed the dematerialized delivery and registration of the shares of the Company (including treasury shares) is more than 5%.

The share capital recorded in the Company's financial report and the number of shares actually delivered by the Company with dematerialized registration may differ because the calculation bases were different.

(Note 2) If the above information included the shareholders' shares transferred to a trust, it is disclosed by the individual settlor account opened by the trustee. Where the shareholders declared insider equity holding for more than 10% shareholding according to the Securities and Exchange Act, such holdings shall include the shares held by shareholders and the trusted assets with right to use. For information regarding insider shareholding declaration, please refer to the Market Observation Post System of the Taiwan Stock Exchange Corporation.

(Note 3) TA YIH TA INVESTMENT CO., LTD. and KUO CHI MIN INVESTMENT CO., LTD. merged in October 2022, and TA YIH TA INVESTMENT CO., LTD. was the surviving company and would be renamed KUO CHI MIN INVESTMENT CO., LTD.

TYC BROTHER INDUSTRIAL CO., LTD.

THE CONTENTS OF STATEMENT OF MAJOR ACCOUNTING ITEMS

31 December 2022

TYC BROTHER INDUSTRIAL CO., LTD.

1.STATEMENT OF CASH AND CASH EQUIVALENTS

31 December 2022

In Thousands of New Taiwan Dollars

(Amounts in dollars of Foreign Currencies)

| Item | Description | | Amount | Note |
|---|---|---|---|---|
| Cash and Petty cash | | | $1,778 | The exchange rate |
| | | | | of the USD to |
| Bank Deposits | | | | the NTD is 1:30.66 |
| Savung account | | | 455,774 | The exchange rate |
| Foreign currency cash | USD | 18,003,703 | 551,993 | of the EUR to the |
| | EUR | 2,394,105 | 77,856 | NTD is 1:32.52 |
| | JPY | 1,021,441 | 235 | The exchange rate |
| | GBP | 142,712 | 5,265 | of the JPY to the |
| | SGD | 224,077 | 5,107 | NTD is 1:0.2304 |
| | RMB | 431,119 | 1,890 | The exchange rate |
| Subtotal | | | 1,098,120 | of the GBP to the |
| Time deposits | | | 61,320 | NTD is 1:36.89 |
| Investments in bonds with resale agreements - corporate bonds | | | 61,380 | The exchange rate of the SGD to the |
| | | | | NTD is 1:22.79 |
| | | | | The exchange rate |
| Total | | | $1,222,598 | of the RMB to the |
| | | | | NTD is 1:4.383 |

TYC BROTHER INDUSTRIAL CO., LTD.

2.STATEMENT OF ACCONUTS RECEIVABLE

31 December 2022

In Thousands of New Taiwan Dollars

(Amounts in dollars of Foreign Currencies)

| Client | Description | | Amount | Note |
|---|---|---|---|---|
| Client A | USD | 2,146,972 | $65,826 | 1. The exchange rate |
| Client B | EUR | 1,793,222 | 58,316 | of the USD to the |
| Client C | USD | 1,762,570 | 54,040 | NTD is 1:30.66 |
| Client D | USD | 1,683,969 | 51,630 | The exchange rate |
| Others | | | 877,520 | of the EUR to the |
| Subtotal | | | 1,107,332 | NTD is 1:32.52 |
| Less:Allowance for doubtful debts | | | (150,457) | 2. The amount of individual |
| Net amount | | | $956,875 | client in others does not exceed |
| | | | | 5% of the account balance. |

TYC BROTHER INDUSTRIAL CO., LTD.

3.STATEMENT OF ACCOUNTS RECEIVABLES-RELATED PARTIES

31 December 2022

In Thousands of New Taiwan Dollars

(Amounts in dollars of Foreign Currencies)

| Client | Description | Amount | Note |
|---|---|---|---|
| GENERA CORPORATION | USD 67,677,030 | $2,074,978 | 1.The exchange rate of the USD |
| TYC EUROPE B.V. | EUR 14,874,923 | 483,732 | to the NTD is 1:30.66 |
| | USD 566,290 | 17,363 | The exchange rate of the EUR |
| KUN SHAN TYC HIGH PERFORMANCE CO., LTD. | RMB 33,505,501 | 146,855 | to the NTD is 1:32.52 |
| Others | | 48,033 | The exchange rate of the RMB |
| Subtotal | | 2,770,961 | to the NTD is 1:4.383 |
| Less:Allowance for doubtful debts | | (313) | 2.The amount of individual client |
| Net | | $2,770,648 | in others does not exceed 5%. |

TYC BROTHER INDUSTRIAL CO., LTD.

4.STATEMENT OF INVENTORIES

31 December 2022

In Thousands of New Taiwan Dollars

| Item | Description | Amount | | Note |
|---|---|---|---|---|
| | | Cost | Net Realizable Value | |
| Raw materials | | $586,240 | $586,240 | 1. Inventories were not pledged. |
| Work in process | | 60,871 | 60,871 | |
| Finished goods | | 852,282 | 1,033,590 | 2. Inventories are valued at lower of cost and net realizable value item by item. |
| Merchandise | | 32,384 | 35,919 | |
| Subtotal | | 1,531,777 | $1,716,620 | |
| Less:Allowance for inventory valuation losses | | (68,867) | | |
| Total | | $1,462,910 | | |

TYC BROTHER INDUSTRIAL CO., LTD.

5.STATEMENT OF OTHER CURRENT ASSETS

31 December 2022

In Thousands of New Taiwan Dollars

| Item | Description | Amount | Note |
|---|---|---|---|
| Prepayment of purchases | | $70,579 | The amount of individual title |
| Payment on behalf | Payment on behalf for mold repair and vender complaint. | 52,217 | in others does not exceed 5% of |
| Prepaid expense | Prepaid expense for repair and maintenance. | 25,736 | the account balance. |
| Other | | 5,043 | |
| Total | | $153,575 | |

TYC BROTHER INDUSTRIAL CO., LTD.

6.STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

31 December 2022

In Thousands of New Taiwan Dollars

| Investee Company | Beginning Balance | | Additions | | Decrease | | Ending Balance | | | Fair value/Net assets value | | Collateral | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Shareholding ratio | Amount | Unit price (NTD) | Total Amount | | |
| JUOKU TECHNOLOGY CO., LTD. | 27,923,401 | $227,157 | | $101,735 (Note1)<br>939 (Note2)<br>206 (Note6) | | $(668) (Note4)<br>(21) (Note5) | 27,923,401 | 72.10% | $329,348 | 13.21 | $368,864 | None | |
| TI YUAN INVESTMENT CO., LTD. | 5,731 | 53,313 | | 1,274 (Note1) | | (708) (Note4) | 5,731 | 100.00% | 53,879 | 9,401.30 | 53,879 | None | |
| TI FU INVESTMENT CO., LTD. | 12,000 | 187,003 | | 36,154 (Note1)<br>1,078 (Note5)<br>469 (Note7) | (2,450) (Note8) | (29,500) (Note3)<br>(19,738) (Note4)<br>(24,500) (Note8) | 9,550 | 100.00% | 150,966 | 23,063.10 | 220,253 | None | |
| TAMAU MANAGEMENT CONSULTANCY CO., LTD. | 260,000 | 4,327 | | | | (1,819) (Note1)<br>(109) (Note3) | 260,000 | 100.00% | 2,399 | 9.23 | 2,399 | None | |
| I YUAN PRECISION INDUSTRIAL CO., LTD. | 5,617,854 | 198,606 | | 33,549 (Note1) | | (8,426) (Note3) | 5,617,854 | 15.66% | 223,729 | 46.85 | 263,196 | None | |
| CONTEK CO., LTD. | 2,186,000 | 56,080 | | 701 (Note2) | | (10,976) (Note1) | 2,186,000 | 100.00% | 45,805 | 20.95 | 45,805 | None | |
| INNOVA HOLDING CORP. | 5,549 | 1,135,535 | | 67,280 (Note1)<br>168,555 (Note2) | | (182,263) (Note6) | 5,549 | 100.00% | 1,189,107 | USD 10,431.67 | USD 57,885 | None | |
| SUPRA-ATOMIC CO., LTD. | 65,932,450 | 1,104,756 | | 50,164 (Note2) | (600,000) (Note8) | (22,148) (Note1)<br>(18,512) (Note6)<br>(19,272) (Note8) | 65,332,450 | 100.00% | 1,094,988 | 20.52 | 1,340,396 | None | |
| BESTE MOTOR CO., LTD. | 12,072,000 | 1,336,457 | | 29,831 (Note2)<br>10 (Note6) | | (59,006) (Note1) | 12,072,000 | 100.00% | 1,307,292 | 108.29 | 1,307,292 | None | |
| TYC VIETNAM INDUSTRIAL CO., LTD. | - | 84,445 | | 5,965 (Note2) | | (1,285) (Note1)<br>(2,853) (Note6) | - | 60.00% | 86,272 | - | - | None | |
| Total | | $4,387,679 | | $497,910 | | $(401,804) | | | $4,483,785 | | | | |

Note1：Net investment income or loss accounted for using equity method.(Included unrealized gain or loss on the transaction between the Company and its investees.)

Note2：Exchange differences resulting from translating the financial statement of foreign poerations.

Note3：Cash dividends paid.

Note4：Unrealized gains or losses on financial assets at fair value through other comprehensive income.

Note5：Profits or losses of the defined benefit plan.

Notr6：Downstream transactions are written off.

Note7：Adjustments for dividends subsidiaries received from parent company.

Note8：Refund of capital reduction.

TYC BROTHER INDUSTRIAL CO., LTD.

7.STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS AND ACCUMULATED DEPERCIATION

FOR THE YEAR ENDED 31 December 2022

In Thousands of New Taiwan Dollars

| Item | Beginning Balance | Additions | Decrease | Ending Balance | Note |
|---|---|---|---|---|---|
| Cost | | | | | |
| Land | $627,374 | $- | $- | $627,374 | |
| Buildings | 95,668 | - | - | 95,668 | |
| Total | $723,042 | $- | $- | $723,042 | |
| Accumulated depreciation | | | | | |
| Land | $1,686 | $562 | $- | $2,248 | |
| Buildings | 38,147 | 12,716 | - | 50,863 | |
| Total | $39,833 | $13,278 | $- | $53,111 | |

TYC BROTHER INDUSTRIAL CO., LTD.

8.STATEMENT OF SHORT-TERM BORROWINGS

31 December 2022

In Thousands of New Taiwan Dollars

| Type | Description | Balance, End of Year | Contract Period | Interest rates applied | Loan Commitments or Collateral | Note |
|---|---|---|---|---|---|---|
| Unsecured borrowings | SCSB Bank | $100,000 | 2022/12/23-2023/2/23 | 1.64% | None | |
| Unsecured borrowings | Land Bank | 200,000 | 2022/10/27-2023/1/10 | 1.52% | None | |
| Total | | $300,000 | | | | |

TYC BROTHER INDUSTRIAL CO., LTD.

9.STATEMENT OF NOTES PAYABLE

31 December 2022

In Thousands of New Taiwan Dollars

| Client | Description | Amount | Note |
|---|---|---|---|
| Client A | | $99,410 | The amount of individual client in others does not exceed 5% of the account balance. |
| Client B | | 66,744 | |
| Client C | | 30,050 | |
| Client D | | 25,112 | |
| Client E | | 22,307 | |
| Client F | | 15,340 | |
| Other | | 8,331 | |
| Total | | $267,294 | |

TYC BROTHER INDUSTRIAL CO., LTD.

10.STATEMENT OF ACCOUNTS PAYABLE

31 December 2022

In Thousands of New Taiwan Dollars

| Client | Description | Amount | Note |
|---|---|---|---|
| Client A | | $106,096 | The amount of individual client |
| Client B | | 99,699 | in others does not exceed 5% |
| Others | | 1,236,336 | of the account balance. |
| Total | | $1,442,131 | |

TYC BROTHER INDUSTRIAL CO., LTD.

11.STATEMENT OF ACCOUNTS PAYABLE-RELATED PPARTIES

31 December 2022

In Thousands of New Taiwan Dollars
(Amounts in dollars of Foreign Currencies)

| Client | Description | | Amount | Note |
|---|---|---|---|---|
| FORTOP INDUSTRIAL CO., LTD. | | | $270,025 | 1.The exchange rate of the USD |
| I YUAN PRECISION INDUSTRIAL CO., LTD. | USD | 3,771,765 | 116,019 | to the NTD is 1:30.76 |
| | | | 2,130 | |
| JUOKU TECHNOLOGY CO., LTD. | | | 141,240 | 2.The amount of individual client |
| T.I.T. INTERNATIONAL CO., LTD. | USD | 1,595,224 | 49,069 | in others does not exceed 5% |
| CHANGZHOU TAMAO PRECISION INDUSTRY CO., LTD | USD | 1,586,574 | 48,803 | of the account balance. |
| Other | | | 49,102 | |
| Total | | | $676,388 | |

TYC BROTHER INDUSTRIAL CO., LTD.

12.STATEMENT OF OTHER PAYABLES

31 December 2022

In Thousands of New Taiwan Dollars

| Item | Description | Amount | Note |
|---|---|---|---|
| Other payables | | | |
| Salaries payable and bonuses | | $198,868 | The amount of individual account title |
| Employee's compensation | | 87,455 | in others does not exceed 5% of the |
| Accrued expenses | Freight | 74,206 | account balance. |
| Others | Deposit for mold | 117,975 | |
| Other payables-related parties | Deposit for mold | 19,167 | |
| Total | | $497,671 | |

TYC BROTHER INDUSTRIAL CO., LTD.

13.STATEMENT OF OTHER CURRENT LIABILITIES

31 December 2022

In Thousands of New Taiwan Dollars

| Item | Description | Amount | Note |
|---|---|---|---|
| Contract liabilites | Advance sales receipts | $109,254 | The amount of individual account title |
| Other unearned revenue | Advance mold receipts | 165,347 | in others does not exceed 5% of the |
| Other | Receipts under custody for mold | 14,497 | account balance. |
| Total | | $289,098 | |

TYC BROTHER INDUSTRIAL CO., LTD.

14.STATEMENT OF LONG-TERM BORROWINGS

31 December 2022

In Thousands of New Taiwan Dollars

| Creditors | Description | Amount due within one year | Amount due in one year | Contract Period | Interest rates applied | Loan Commitments or Collateral | Redemption |
|---|---|---|---|---|---|---|---|
| First Bank | Unsecured Borrowing | $200,000 | $550,000 | 2019/07/01-2026/09/15 | 1.08% | None | Principal are repaid monthly, starting from 17 Oct. 2022, and interests are repaid monthly. |
| First Bank | Unsecured Borrowing | - | 300,000 | 2022/07/28-2024/07/28 | 1.88% | None | Interests are repaid monthly and bullet repayment on expiry date. |
| First Bank | Secured Borrowing | - | 100,000 | 2022/07/28-2024/07/28 | 1.88% | Yes | Interests are repaid monthly and bullet repayment on expiry date. |
| Chang Hwa Bank | Unsecured Borrowing | 101,205 | 573,494 | 2019/08/09-2029/08/15 | 1.13% | None | Principal are repaid monthly, starting from 17 Oct. 2022, and interests are repaid monthly. |
| Bank of Taiwan | Unsecured Borrowing | - | 200,000 | 2022/07/06-2024/07/06 | 1.90% | None | After applying for each drawdown within the credit line, each transaction shall not exceed 180 days.<br>Interests are repaid monthly and bullet repayment on expiry date. |
| Bank of Taiwan | Unsecured Borrowing | 75,000 | 375,000 | 2021/07/06-2026/06/15 | 1.35% | None | The grace period is 2 years. Principal are repaid monthly, and interests are repaid monthly. |
| DBS Bank | Unsecured Borrowing | 144,000 | 120,000 | 2019/11/06-2024/10/15 | 1.35%-1.37% | None | Principal are repaid monthly, starting from 17 Oct. 2022, and interests are repaid monthly. |
| DBS Bank | Unsecured Borrowing | - | 300,000 | 2022/04/14-2024/04/14 | 1.85% | None | After applying for each drawdown within the credit line, pay off all principal and interest payable of each drawn down facility on the expiry date of each principal loan. |
| Yuanta Bank | Unsecured Borrowing | - | 550,000 | 2022/10/05-2024/10/05 | 1.40% | None | Each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| Hua Nan Bank | Unsecured Borrowing | 100,000 | 400,000 | 2020/07/24-2025/07/24 | 1.09%-1.29% | None | Principal are repaid monthly, starting from 15 Aug. 2023, and interests are repaid monthly. |
| Taipei Fubon Bank | Unsecured Borrowing | - | 350,000 | 2022/09/26-2024/09/26 | 1.75% | None | Each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| CTBC Bank | Unsecured Borrowing | - | 350,000 | 2022/05/31-2024/05/31 | 1.70% | None | Each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| Bank Sinopac | Unsecured Borrowing | - | 80,000 | 2022/06/22-2024/06/30 | 1.68% | None | Interests are repaid monthly and bullet repayment on expiry date. |
| Mizuho Bank | Unsecured Borrowing | - | 900,000 | 2022/11/20-2024/11/20 | 1.85% | None | Each transaction shall not exceed 180 days. Interests are repaid monthly and bullet repayment on expiry date. |
| Mega Bank | Unsecured Borrowing | - | 200,000 | 2022/06/14-2024/06/13 | 1.96% | None | Interests are repaid monthly and bullet repayment on expiry date. |
| Total | | $620,205 | $5,348,494 | | | | |

TYC BROTHER INDUSTRIAL CO., LTD.

15.STATEMENT OF LEASE LIABILITIES

31 December 2022

In Thousands of New Taiwan Dollars

| Item | Description | Contract Periods | Discount rates applies | Amount | Note |
|---|---|---|---|---|---|
| Land | | 5~20 years | 1.42% | $529,365 | |
| Buildings | | 5~10 years | 1.42% | 46,075 | |
| Subtotal | | | | 575,440 | |
| (Less):Current portion | | | | (39,953) | |
| Lease liabilties, non current | | | | $535,487 | |

TYC BROTHER INDUSTRIAL CO., LTD.

16.STATEMENT OF OPERATING REVENUES

FOR THE YEAR ENDED 31 December 2022

In Thousands of New Taiwan Dollars

| Item | Amount | Note |
|---|---|---|
| Automobile lights | $9,445,588 | The amount of individual account title |
| Automobile light parts | 335,686 | in others does not exceed 5% of the account balance. |
| Others | 1,749,678 | Sells for water pump, fan and equipment. |
| Total | $11,530,952 | |

TYC BROTHER INDUSTRIAL CO., LTD.

17.STATEMENT OF OPERATING COSTS

FOR THE YEAR ENDED 31 December 2022

In Thousands of New Taiwan Dollars

| Item | Amount | Note |
|---|---|---|
| Cost of Goods Sold of Self-made Product | | |
| Direct material | | |
| Beginning of year | $587,473 | |
| Add: Raw material purchased | 3,959,075 | |
| Gains on physical inventories | 89 | |
| Transfer from other account title | 16 | |
| Less: Raw material, end of year | (586,240) | |
| Scrapped | (21,606) | |
| Sell | (314,379) | |
| Transfer to other account title | (107,292) | |
| Supplies and parts used | 3,517,136 | |
| Direct labor | 468,984 | |
| Factory overheads | 1,946,141 | |
| Manufacturing cost | 5,932,261 | |
| Add: Work in process, beginning of year | 48,844 | |
| Less: Work in process, end of year | (60,871) | |
| Transfer to other account title | (26,611) | |
| Cost of finished goods | 5,893,623 | |
| Add: Finished goods, beginning of year | 652,297 | |
| Finished goods purchased | 1,916,636 | |
| Transfer from other account title | 300 | |
| Less: Finished goods, end of year | (852,282) | |
| Losses on physical inventories | (74) | |
| Scrapped | (2,683) | |
| Transfer to other account title | (2,446) | |
| Cost of Goods Sold of Self-made Product | 7,605,371 | |
| Cost of Goods sold of Merchandise | | |
| Merchandise: Beginning of year | 31,014 | |
| Add: Merchandise purchased | 1,708,660 | |
| Transfer from other account title | 9 | |
| Less: Merchandise, end of year | (32,384) | |
| Losses on physical inventories | (13) | |
| Scrapped | (9,363) | |
| Transfer to other account title | (21) | |
| Cost of Goods sold of Merchandise | 1,697,902 | |
| Other operating costs | | |
| Sell raw materials | 314,379 | |
| Losses on scrap of inventories | 33,652 | |
| Net gains (losses) on physical inventories | (2) | |
| Reversal of allowance for inventory market price decline | (8,894) | |
| Other | 22,690 | |
| Total Operating Costs | $9,665,098 | |

TYC BROTHER INDUSTRIAL CO., LTD.

18.STATEMENT OF OPERATING EXPENSES

FOR THE YEAR ENDED 31 December 2022

In Thousands of New Taiwan Dollars

| Item | Selling Expenses | General and Administrative Expenses | Research and Development Expenses | Expected credit impairment losses | Total |
|---|---|---|---|---|---|
| Payroll expenses | $91,961 | $149,984 | $133,532 | $- | $375,477 |
| Freight | 44,278 | 36 | 1,661 | - | 45,975 |
| Expected credit impairment gains | - | - | - | (8,042) | (8,042) |
| Repair and maintenance expenses | 3,245 | 5,033 | 1,309 | - | 9,587 |
| Depreciation | 21,727 | 40,194 | 4,728 | - | 66,649 |
| Amortization expense | 1,627 | 6,240 | 20,320 | - | 28,187 |
| Research expense | - | - | 60,488 | - | 60,488 |
| Commission expense | 44,233 | - | - | - | 44,233 |
| Export and import expense | 77,987 | - | - | - | 77,987 |
| Professional service fee | 16,102 | 23,848 | 711 | - | 40,661 |
| Insurance expense | 13,637 | 14,524 | 14,638 | - | 42,799 |
| Other expense | 64,326 | 87,392 | 54,893 | - | 206,611 |
| Total | $379,123 | $327,251 | $292,280 | $(8,042) | $990,612 |

Note：The amount of individual account title in others does not exceed 5% of the of the account balance.

6.Financial turnaround difficulties experienced by the Company and its affiliates in the most recent year and as of the date of publication of the annual report: None

# VII.Analysis of the Financial Status, Business Outcomes and Risk Issues:

1.Analysis of the financial status:

Unit:NT$ 1,000；%

| Item \ Year | 2021 | 2022 | Difference | |
|---|---|---|---|---|
| | | | Amount | % |
| Current assets | 9,889,193 | 11,693,901 | 1,804,708 | 18.25% |
| Real estate, plant and equipment | 7,924,249 | 8,016,711 | 92,462 | 1.17% |
| Intangible assets | 71,843 | 70,298 | (1,545) | -2.15% |
| Other Assets | 6,169,322 | 6,264,668 | 95,346 | 1.55% |
| Total assets | 24,054,607 | 26,045,578 | 1,990,971 | 8.28% |
| Current liabilities | 7,554,959 | 8,283,846 | 728,887 | 9.65% |
| Non-current liabilities | 8,308,703 | 8,592,027 | 283,324 | 3.41% |
| Total liabilities | 15,863,662 | 16,875,873 | 1,012,211 | 6.38% |
| Share capital | 3,428,979 | 3,428,979 | 0 | 0.00% |
| Capital Provident Fund | 2,577,877 | 2,578,522 | 645 | 0.03% |
| Retention of surplus | 2,232,867 | 2,998,000 | 765,133 | 34.27% |
| Other interests | (343,972) | (153,990) | 189,982 | -55.23% |
| Treasury Stock | (5,996) | (5,996) | 0 | 0.00% |
| Equity attributable to owners of the parent company | 7,889,755 | 8,845,515 | 955,760 | 12.11% |
| Non-controlling interests | 301,190 | 324,190 | 23,000 | 7.64% |
| Total equity | 8,190,945 | 9,169,705 | 978,760 | 11.95% |

The main reasons for the significant changes in assets, liabilities and shareholders ' equity in the last two years (changes of more than 20% and the amount of NT$ 10 million) and their impact and future response plans:
(1) The main reasons for the change:
1. Retained earnings: increase in retained earnings due to exchange rate.
2. Other equity: increase in other equity due to exchange rate.
(2) Impact: There is no significant impact.
(3) Future Response Plan: Not Applicable

2.Financial Performance Review Analysis:

Unit:NT$ 1,000；%

| Item \ Year | 2021 | 2022 | Increase (decrease) amount | Change ratio (%) |
|---|---|---|---|---|
| Operating revenues | 16,576,615 | 19,207,226 | 2,630,611 | 15.87% |
| Gross profit | 3,007,408 | 4,183,913 | 1,176,505 | 39.12% |
| Operating profit or loss | 2,578,705 | 3,297,077 | 718,372 | 27.86% |
| Non-operating income and expenses | 428,703 | 886,836 | 458,133 | 106.86% |
| Net profit before tax | (99,282) | 308,748 | 408,030 | -410.98% |
| Net profit for the current period of continuing operating units | 329,421 | 1,267,584 | 938,163 | 284.79% |
| Losses of closed units | 92,812 | 265,723 | 172,911 | 186.30% |
| Net profit ( Loss) for the period | 236,609 | 1,001,861 | 765,252 | 323.42% |
| Other consolidated profit or loss for the current period (Net after tax) | (39,465) | 207,874 | 247,339 | -626.73% |
| Total Consolidated Profit and Loss for the current period | 197,144 | 1,209,735 | 1,012,591 | 513.63% |
| Net profit attributable to owner of parent company | 193,271 | 932,533 | 739,262 | 382.50% |
| Net profit attributable to non-controlling interests | 43,338 | 69,328 | 25,990 | 59.97% |
| Total consolidated profit or loss attributable to owners of the parent company | 155,932 | 1,135,235 | 979,303 | 628.03% |
| Total consolidated profit or loss attributable to non-controlling interests | 41,212 | 74,500 | 33,288 | 80.77% |

The main reasons for the significant changes in operating income, net operating income and net profit before income taxes (changes of 20% or more) in the last two years, the expected sales volume and its basis, the possible impact on the Company's future financial operations and the corresponding plans:

(1) The main reasons for the changes.

1. Revenue and net operating income increased due to COVID-19 outbreak slowdown and exchange rate.

(2) Expected sales volumes and their basis: Expected AM and OEM sales volumes in 2023 are expected to grow than 2022.

(3) Possible impact on future financial operations: No material impact

(4) Future plans in response: Not applicable

3.Cash flow analysis:

(1) Analysis of recent annual cash flow movements:

| Item \ Year | 2021 | 2022 | Increase (decrease) ratio |
|---|---|---|---|
| Cash flow ratio (%) | 5.83% | 16.64% | 10.81% |
| Cash flow ratio (%) | 69.56% | 73.40% | 3.84% |
| Cash flow ratio (%) | 1.11% | 4.87% | 3.76% |
| Change analysis description:<br>1. Cash flow ratio: The main reason is the increase in working capital in thecurrent period compared with the previous period.<br>2. Cash flow allowable ratio: The main reason for the increase in net cash flow from operating activities in the current period compared with the previous period.<br>3. Cash reinvestment ratio: The main reason for the increase in working capital in the current period compared with the previous period. | | | |

(2) Cash flow analysis for the coming year:

Unit:NT$ 1,000

| Initial cash balance | Annual net cash flow from operating activities | The total cash outflow | Cash Surplus (insufficient )amount | Remedial measures for cash shortfall | |
|---|---|---|---|---|---|
| | | | | Investment plan | Financial plan |
| 200,000 | 12,338,037 | 12,252,637 | 285,399 | — | — |
| Description of the cash flow analysis for the coming year (2023).<br>In order to meet the business needs and new product development, some of the equipment was retired and replaced. | | | | | |

(3) Cash flow shortage improvement plan: None.

4.Impact of significant capital expenditures on financial operations in the past year :

(1) The use of major capital expenditure and sources of funds.

Unit:NT$ 1,000

| Project | Actual or anticipated source of funds | Actual or expected completion date | Total funds required | Actual or scheduled use of funds |
|---|---|---|---|---|
| | | | | 2022 |
| Machines, mold equipment, etc. | Working capital and loans | 2022.12 | 1,294,230 | 1,294,230 |

(2) Expected potential earnings:

In response to the significant increase in sales volume, market share expansion and future operational development, the Company has continued to expand its facilities to improve production efficiency and reduce production costs.

5.Recent annual investment policy,the main reasons for its profit or loss, improvement plan and investment plan for the next year:

The Company will reconsider based on the operation needs.

6.Risk Event Analysis Assessment. :

(1 )Effect of interest rate, exchange rate and inflation on the Company's profit or loss and future measures.

Unit:NT$1,000

| Year / Item | 2022 | | 2023/3/31 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Net operating income | 19,207,226 | 100.00% | 4,709,936 | 100.00% |
| Net profit before tax | 1,267,584 | 6.60% | 293,078 | 6.22% |
| Interest income | 8,089 | 0.04% | 3,550 | 0.08% |
| Interest expenses | 211,126 | 1.10% | 60,564 | 1.29% |
| Redemption (loss) | 399,280 | 2.08% | (14,585) | 0.31% |

Source: Financial statements audited by certified public accountants for the year 2022 Financial statements audited by certified public accountants for the first quarter of fiscal 2023.

1. Impact of interest rate changes on the Company's profit or loss and future measures.
   (1) Effect on profit or loss.
   The Company's bank loans are fixed-rate loans and variable-rate loans; therefore, they did not have a significant impact on the Company.
   (2) Future measures in response.
   The Company maintains an appropriate mix of fixed and floating interest rates, supplemented by interest rate swap contracts to manage interest rate risk. The Company maintains good relationships with its counterparties and is able to control changes in interest rates at any time and adjust them opportunistically.

2. Effect of exchange rate changes on the Company's profit or loss and future measures.
   (1) Effect on profit or loss.
   The Company is primarily an external seller and is affected by changes in foreign exchange rates. The main exchange gains and losses are those arising from derivative financial instruments.
   (2) Future measures in response.
   A. The finance department staff keeps abreast of the exchange rate trend through newspaper publications, internet system and professional consultation with banks.
   B. Forward foreign exchange operations to hedge the risk of foreign currency debts and exchange rate fluctuations with reference to exchange rate trend forecasts.
   C. In accordance with the relevant provisions of the Financial Supervisory Commission's letter dated December 20, 2013, No. 1 O2O5373, "Guidelines for the Acquisition or Disposal of Assets by Public Companies", the Company regulates the procedures for engaging in derivative financial instrument transactions and strengthens the risk control management system.

3. The impact of inflation on the Company's profit and loss in the most recent year and future measures to address it.
   There is no impact from inflation in FY2022, but changes in the prices of raw materials required for production will still be closely monitored.

(2) The Company's policy on engaging in high-risk, highly leveraged investments, lending of funds to others, endorsement of guarantees and derivative transactions, the main reasons for profits or losses, and future measures:

1. The Company does not engage in high-risk, highly leveraged investments.
2. Loans of funds to others: The Company's loans of funds to others are mainly due to business

transactions and are made in accordance with the "Procedures for Loans of Funds to Others", with the total amount of loans not exceeding 40% of the Company's net worth. The balance of loans of funds was US$5,000,000 as of 2022.

3. The total amount of endorsement and guarantee is limited to 40% of the Company's current net worth, of which the amount of endorsement and guarantee for a single enterprise shall not exceed 20% of the current net worth, and the balance of endorsement and guarantee is NT$900,000 and US$24,000 as of 2022.

4 . The purpose of these transactions in 2022 is to hedge the risks arising from foreign currency debts and exchange rate fluctuations. The natural hedge and the management of exchange rate risks by means of forward exchange contracts do not meet the requirements of hedge accounting and therefore hedge accounting is not applied.

(3) Future R&D plans and estimated R&D costs.

| Item | Topic | R & D Expenses | Estimated MPT | Key influences on the success of future R&D |
|---|---|---|---|---|
| 1 | 100 pixel ADB headlamp | 10 million | 4th quarter of 2023 | Increase pixel in ADB headlamp to make it more recognizable. |
| 2 | Dynamic visual smart taillight development | 8 million | 4th quarter of 2023 | Development of smart lamp technology for electric car. |
| 3 | High resolution optical lens development | 8 million | 4th quarter of 2023 | High resolution precise optical lens can increase the optical recognition of high pixel ADB light to meet the regulation and market demand. |

(4) Effect of significant domestic and foreign policy and legal changes on the Company's financial operations and measures taken in response: None.

(5) The impact of technological (including cyber security risk) and industrial changes on the company's financial business and the corresponding measures:

We will continue to provide high technical standards and quality services through our design and development team, educate and train our sales and technical staff to adapt to product changes, maintain regular interaction with our customers, understand their operating conditions, keep abreast of market information, reduce inventory of raw materials and finished products, and make good commitment to quality and delivery to ensure the company's interests.

(6) Impact of corporate image change on corporate crisis management and response measures: Not applicable.

(7) Expected benefits, possible risks and contingencies of the merger and acquisition: Not applicable.

(8) Expected benefits, possible risks and response measures for plant expansion: Not applicable.

(9) Risks of purchase or sale concentration and countermeasures:

The company's largest purchaser accounted for about 8.64% of the total purchase amount, mainly to produce the company's products sold to North America. In addition, the largest purchaser accounted for about 13.41% of the total sales amount, in view of the future growth trend of the company, and actively mapped out global sales locations, in order to maintain more balanced and stable operating results.

(10) The impact, risk and response measures of a significant transfer or change in the Company.:

Since the establishment of the Company, there have been changes in or transfers of shareholdings of directors or substantial shareholders, but due to the Company's sound operation and maintenance of good operating results, no significant transfer or replacement of shareholdings has occurred.

(11) Impact of the change on the operating rights of the Company, risks and countermeasures: Not applicable.

(12) Litigation or non-litigation events, including litigation, non-litigation or administrative disputes that have been determined or are still pending against the Company, its directors, general manager, persons in charge of the Company, substantial shareholders holding more than 10% of the shares, and affiliated companies, the outcome of which may have a significant impact on shareholders' equity or securities pricing: None.

(13) Other significant risks and response measures: None.

7.Other important matters: None.

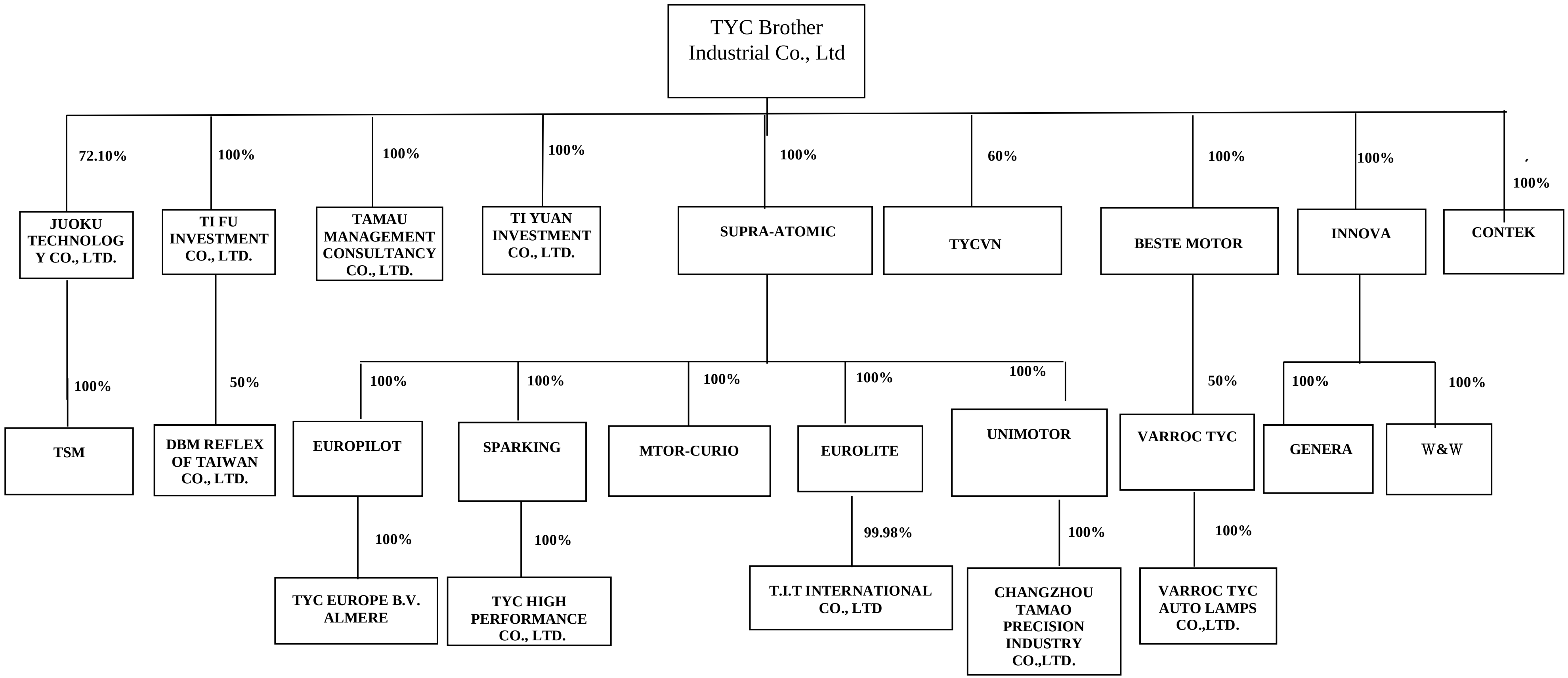
# VIII.Special notes:

1.Related information on affiliated companies.

(1) Report on Consolidated Operations of Affiliated Companies.

1. Organizational chart of affiliated companies :

T.Y.C.
2022/12/31



2. Basic information on each affiliate.

2022/12/31

Unit:NT$1,000, Foreign Currency in Original Currency

| Company Name | Establishment date | Address | Paid-in capital | Main business or production items | Remark |
|---|---|---|---|---|---|
| TI YUAN INVESTMENT CO., LTD. | 1997.09.25 | 12F, No. 212, Yuping, Road Anping District, Tainan City, Taiwan | 57,310 | Operating securities investment business | |
| TI FU INVESTMENT CO., LTD. | 1997.09.25 | 12F, No. 212, Yuping Road, Anping District, Tainan City, Taiwan | 95,500 | Operating securities investment business | |
| DBM REFLEX OF TAIWAN CO., LTD. | 2000.02.15 | No. 54, Ln. 0, Xinle Rd., South Dist., Tainan City 702008 , Taiwan | 120,000 | Mold manufacturing and international trade business | |
| TAMAU MANAGEMENT CONSULTANCY CO., LTD. | 2003.04.22 | 8F., No. 573, Ln. 0, Qingping Rd., Anping Dist., Tainan City 708010 , Taiwan | 2,600 | Engaged in business management consultants | |
| CONTEK CO., LTD. | 1998.01.02 | Offshore Incorporations Limited of P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola , British Virgin Islands | USD2,186,000 | Engaging in re-investment holding activities | (NOTE1) |
| BESTE MOTOR CO., LTD. | 2004.07.06 | Offshore Incorporations Limited of P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | USD12,072,000 | Engaging in re-investment holding activities | (NOTE1) |
| VARROC TYC CORPORATION | 2004.07.07 | Offshore Incorporations Limited of P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | USD28,144,000 | Engaging in re-investment holding activities | (NOTE1) |
| CHANGZHOU VARROC TYC CORPORATION | 1995.03.16 | No. 23, Hengshan Road, New & Hi-Tech Industry Development Area, Changzhou City, Jiangsu Province, PRC | USD27,000,000 | Production and sales of lighting lamps and lanterns, motor vehicle accessories, mould machine, etc. | (NOTE1) |
| SUPRA-ATOMIC CO., LTD. | 2001.11.20 | Offshore Incorporations Limited of P.O. Box 957,Offshore Incorporations Centre, Road Town, Tortola , British Virgin Islands | USD65,332,450 | Engaging in re-investment holding activities | (NOTE1) |
| EUROPILOT CO., LTD. | 2002.09.27 | Offshore Incorporations Limited of P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | USD14,359,821 | Engaging in re-investment holding activities | (NOTE1) |
| MOTOR-CURIO CO., LTD. | 2001.11.23 | Offshore Incorporations Limited of P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | USD1,893,400 | Engaging in re-investment holding activities | (NOTE1) |
| SPARKING CO., LTD. | 1999.09.30 | Offshore Incorporations Limited of P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | USD30,915,717 | Engaging in re-investment holding activities | (NOTE1) |

| Company Name | Establishment date | Address | Paid-in capital | Main business or production items | Remark |
|---|---|---|---|---|---|
| EUROLITE CO., LTD. | 1999.05.10 | Commonwealth Trust Limited, Sealing House, Tortola, British Virgin Islans | USD14,697,972 | Engaging in re-investment holding activities | (NOTE1) |
| UNIMOTOR INDUSTRIAL CO., LTD. | 1995.09.04 | Commonwealth Trust Limited of P.O. Box 3321, Road Town, Tortola, British Virgin Islands | USD6,887,000 | Engaged in transfer of investment holding activities | (NOTE1) |
| TYC EUROPE B.V. | 2003.01.28 | Rondebeltweg 92, 1329 BG Almere, The Netherlands | EUR10,150,000 | Sales of car light fixtures | (NOTE1) |
| T.I.T INTERNATIOM CO., LTD. | 1999.10.23 | 119 Moo 3 Bankhai-Nonglalok Road Tambon Nonglalok, Amphur Bankhai Rayong, Thailand | THB499,560,000 | Manufacture and sale of lighting fixtures and moulds | (NOTE1) |
| CHANGZHOU TAMAO PRECISION INDUSTRY CO.,LTD. | 2001.08.17 | No. 99, Taishan Road, Changzhou City New District, Jiangsu Province, PRC. | USD6,467,000 | Production of precision molds | (NOTE1) |
| KUN SHAN TYC HIGH PERFORMANCE LIGHTING TECH CO., LTD. | 2000.12.24 | No. 99, Dengta Road, Yushan Town, Kunshan City | USD30,000,000 | Manufacture and sale of lighting fixtures | (NOTE1) |
| JUOKU TECHNOLOGY CO., LTD. | 2004.01.19 | No. 25, Industrial 3rd Road, Tainan City, Taiwan | 387,310 | Manufacture, processing and sale of automotive parts and molds | |
| TSM TECH CO., LTD. | 2003.05.20 | Offshore Incorporations Limited of P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | USD300,000 | Engaged in the transfer of investment holding activities | (NOTE1) |
| INNOVA HOLDING CORP. | 1995.07.26 | Offshore, State of Delaware | USD12,250,000 | Engaged in the transfer of investment holding activities | (NOTE1) |
| GENERA CORPORATION | 1991.03.06 | 2800 Saturn street, Brea, CA 92821 USA. | USD 12,388,505 | Sales of car light fixtures | (NOTE1) |
| W&W REAL PROPERTY, INC | 2009.06.12 | 2800 Saturn street, Brea, CA 92821 USA. | USD1,000,000 | Engaged in the trading of real estate and rental and sale of investments | (NOTE1) |
| TYC VIENTNAM INDUSTRIAL CO.,LTD. | 2020.05.06 | Binh Xuyen Industrial Zone, Dao Duc Town, Binh Xuyen District, Vinh Phuc Province, Vietnam. | USD5,000,000 | Manufacture, processing and sale of automotive parts and accessories | (NOTE1) |

(Note1):2022.12.31 Exchange rate USD/NTD:30.66 RMB/NTD: 4.383 THB/NTD: 0.8741 EUR/NTD:32.52 VND/NTD : 0.001298

3. Information on the same shareholders who are presumed to be in a controlling or subordinate relationship pursuant to Article 369 of the Companies Act: None

4. Description of business relationship:

(1) Industry covered by the business of the overall affiliate.

| Name of Affiliated company | Industry |
|---|---|
| TI YUAN INVESTMENT CO., LTD. | Investment |
| TI FU INVESTMENT CO., LTD. | Investment |
| DBM REFLEX OF TAIWAN CO., LTD. | Manufacturing |
| TAMAU MANAGEMENT CONSULTANCY CO., LTD. | Service |
| CONTEK CO., LTD. | Trading |
| BESTE MOTOR CO., LTD. | Investment |
| VARROC TYC CORPORATION | Investment |
| VARROC TYC CORPORATION | Manufacturing |
| SUPRA-ATOMIC CO., LTD. | Investment |
| EUROPILOT CO., LTD. | Investment |
| MOTOR-CURIO CO., LTD. | Investment |
| SPARKING CO., LTD. | Investment |
| EUROLITE CO., LTD. | Investment |
| UNIMOTOR INDUSTRIAL CO., LTD. | Investment |
| TYC EUROPE B.V. | Trading |
| T.I.T INTERNATIONAL CO., LTD. | Manufacturing |
| CHANGZHOU DAMAO PRECISION INDUSTRIAL CO.,LTD. | Manufacturing |
| KUN SHAN TYC HIGH PERFORMANCE LIGHTING TECH CO., LTD. | Manufacturing |
| JUOKU TECHNOLOGY CO., LTD. | Manufacturing |
| TSM TECH., LTD. | Investment |
| INNOVA HOLDING CORP. | Trading |
| GENERA CORPORATION | Trading |
| W&W REAL PROPERTY, INC | Investment |
| TYC VIENTNAM INDUSTRIAL CO., LTD. | Manufacturing |

(2) The division of labor between affiliated companies whose businesses are related to each other is as follows.

| Name of Affiliated Company | Division of labor |
|---|---|
| DBM REFLEX OF TAIWAN CO., LTD. | Third parties of the "Company" |
| TYC EUROPE B.V. | Trading of some of the Company's products |
| T.I.T INTERNATIONAL CO., LTD. | To buy and sell some of our products and engage in manufacturing and sales |
| CHANGZHOU DAMAO PRECISION INDUSTRIAL CO.,LTD. | Design, manufacture and maintenance of moulds for use by the Company and Group companies |
| KUN SHAN TYC HIGH PERFORMANCE LIGHTING TECH CO., LTD. | Buying and selling part of "the company" products and engaged in the manufacture and sale |
| JUOKU TECHNOLOGY CO., LTD. | Engaged in mold design, manufacturing and maintenance and provide for the use of the Company and the Group enterprises, trading and manufacturing and sales of some of the products of the"Company" |
| GENERA CORPORATION | Trading of some of the Company's products |

## 5. Information on directors, supervisors and general managers of affiliated companies:

2022/12/31

| Company Name | Title (Note1) | Name or Representative (Note 2) | | Shareholdings | |
|---|---|---|---|---|---|
| | | | | Number of shares /capital contribution ($) (Note 3) | Shareholding ratio (%) |
| TI YUAN INVESTMENT CO., LTD. | Chairman | WU , CHUN-CHI | TYC legal representative | 5,731 | 100.00 |
| | Director | WU , CHUN-LANG | TYC legal representative | | |
| | Director | CHEN , CHIN-CHAO | TYC legal representative | | |
| | Supervisor | WENG,YI-FENG | TYC legal representative | | |
| TI FU INVESTMENT CO., LTD. | Chairman | WU , CHUN-CHI | TYC legal representative | 95,500 | 100.00 |
| | Director | WU , CHUN-LANG | TYC legal representative | | |
| | Director | CHEN , CHIN-CHAO | TYC legal representative | | |
| | Supervisor | WENG,YI-FENG | TYC legal representative | | |
| DBM REFLEX OF TAIWAN CO., LTD. | Chairman | WU , CHUN-CHI | Legal representative of TI FU INVESTMENT CO., LTD. | 6,000,000 | Of 50.00 |
| | Director | TING, CHENG-TAI | Legal representative of TI FU INVESTMENT CO., LTD. | | |
| | Supervisor | WENG,YI-FENG | - | | |
| | Director | Christian Matte | legal representative of 9265-2890 QUEBEC INC. | 6,000,000 | 50.00 |
| | Director | Bernard Caire | legal representative of 9265-2890 QUEBEC INC | | |
| | Supervisor | Nesim Benrobi | - | | |
| TAMAU MANAGEMENT CONSULTANCY CO., LTD. | Chairman | WU , CHUN-CHI | TYC legal representative | 260,000 | 100.00 |
| | Director | C.C. Chiu | TYC legal representative | | |
| | Director | CHEN , CHIN-CHAO | TYC legal representative | | |
| | Supervisor | WENG,YI-FENG | TYC legal representative | | |
| CONTEK CO., LTD. | Chairman | WU , CHUN-CHI | TYC legal representative | 2,186,000 | 100.00 |
| BESTE MOTOR CO., LTD. | Chairman | WU , CHUN-CHI | TYC legal representative | 12,072,000 | 100.00 |
| VARROC TYC CORPORATION | Chairman | WU , CHUN-CHI | BESTE MOTOR legal representative | 14,072,000 | 50.00 |
| | Director | TING, CHENG-TAI | BESTE MOTOR legal representative | | |
| | Director | CHUANG,TAI-SHIE | BESTE MOTOR legal representative | | |
| | Director | CHEN , CHIN-CHAO | BESTE MOTOR legal representative | | |
| | Director | Tarang Jain | Varroc Corp Holding B.V. legal representative | 14,072,000 | 50.00 |
| | Director | Stephane Vedie | Varroc Corp Holding B.V. legal representative | | |
| | Director | Todd Morgan | Varroc Corp Holding B.V. legal representative | | |
| | Director | Tharuvai R. Srinivasan | Varroc Corp Holding B.V. legal representative | | |
| VARROC TYC CORPORATION | Chairman | CHUANG,TAI-SHIE | VARROC TYC legal representative | USD27,000,000 | 100.00 |
| | Director | Tarang Jain | VARROC TYC legal representative | | |
| | Director | TING, CHENG-TAI | VARROC TYC legal representative | | |
| | Director | Y.S. Su | VARROC TYC legal representative | | |
| | Director | CHEN , CHIN-CHAO | VARROC TYC legal representative | | |
| | Director | Stephane Vedie | VARROC TYC legal representative | | |
| | Director | R.S. Feng | VARROC TYC legal representative | | |
| | Director | Tharuvai R. Srinivasan | VARROC TYC legal representative | | |
| | Supervisor | WU , KUO-CHEN | VARROC TYC legal representative | | |
| | Supervisor | Scott Anthony Trujillo | VARROC TYC legal representative | | |
| | GM | R.S. Feng | VARROC TYC legal representative | | |
| 重慶 VARROC TYC CORPORATION | Director | Y.S. Su | Legal representative- VARROC TYC AUTO LAMPS CO.,LTD. | RMB100,000,000 | 100.00 |
| | Supervisor | Y.H. Liu | Legal representative- VARROC TYC AUTO LAMPS CO.,LTD. | | |
| | GM | R.S. Feng | Legal representative- VARROC TYC AUTO LAMPS CO.,LTD. | | |
| SUPRA-ATOMIC CO., LTD. | Chairman | WU , CHUN-CHI | TYC legal representative | 65,332,450 | 100.00 |
| EUROPILOT CO., LTD. | Chairman | WU , CHUN-CHI | SUPRA-AMOTIC legal representative | 14,359,821 | 100.00 |
| MOTOR-CURIO CO., LTD. | Chairman | WU , CHUN-CHI | SUPRA-AMOTIC legal representative | 1,893,400 | 100.00 |
| SPARKING CO., LTD. | Chairman | WU , CHUN-CHI | SUPRA-AMOTIC legal representative | 30,915,717 | 100.00 |
| EUROLITE CO., LTD. | Chairman | WU , CHUN-CHI | SUPRA-AMOTIC legal representative | 14,697,972 | 100.00 |
| UNIMOTOR INDUSTRIAL CO., LTD | Chairman | WU , CHUN-CHI | SUPRA-AMOTIC legal representative | 6,887,000 | 100.00 |
| TYC EUROPE B.V. | Chairman | TING, CHENG-TAI | EUROPILOT legal representative | 120,000 | 100.00 |
| | Director | WU , KUO-CHEN | EUROPILOT legal representative | | |
| | Director | CHEN , CHIN-CHAO | EUROPILOT legal representative | | |
| | GM | HUANG, CHIA-WEN | EUROPILOT legal representative | | |
| T.I.T INTERNATIONAL CO., LTD. | Chairman | WU , KUO-CHEN | EUROPILOT legal representative | 4,994,900 | 99.98 |
| | Director | CHEN , CHIN-CHAO | EUROPILOT legal representative | | |

| Company Name | Title (Note1) | Name or Representative (Note 2) | | Shareholdings: Number of shares /capital contribution ($) (Note 3) | Shareholdings: Shareholding ratio (%) |
|---|---|---|---|---|---|
| | Director | CHANG, CHI-JIE | EUROPILOT legal representative | | |
| | Director | WU , CHUN-CHI | EUROPILOT legal representative | | |
| | GM | CHANG, CHI-JIE | EUROPILOT legal representative | | |
| CHANGZHOU DAMAO PRECISION INDUSTRIAL CO.,LTD. | Chairman | WU , CHUN-CHI | UNIMOTOR legal representative | USD6,467,000 元 | 100.00 |
| | Director | CHEN , CHIN-CHAO | UNIMOTOR legal representative | | |
| | Director | S.J. Huang | UNIMOTOR legal representative | | |
| | GM | S.J. Huang | UNIMOTOR legal representative | | |
| KUN SHAN TYC HIGH PERFORMANCE LIGHTING TECH CO., LTD. | Chairman | WU , CHUN-CHI | SPARKING legal representative | USD30,000,000 元 | 100.00 |
| | Director | Y.L. Wu | SPARKING legal representative | | |
| | Director | CHEN , CHIN-CHAO | SPARKING legal representative | | |
| | Supervisor | WENG,YI-FENG | SPARKING legal representative | | |
| JUOKU TECHNOLOGY CO., LTD. | Chairman | WU , KUO-CHEN | - | 56,999 | 0.15 |
| | Director | CHEN , CHIN-CHAO | TYC legal representative | 27,923,401 | 72.10 |
| | Director | S.C. Wang | - | 278,467 | 0.72 |
| | Director | WU , CHUN-CHI | - | 176,118 | 0.45 |
| | Director | B.Y. Liao | - | 21,234 | 0.05 |
| | Director | CHUANG, TAI-SHIE | - | - | - |
| | Director | LIN, CHUN-KUI | - | 636 | 0 |
| | Supervisor | WU, CHUN-LANG | - | 789,999 | 2.04 |
| | Supervisor | C.L. Yu | - | 310,097 | 0.80 |
| | Supervisor | WENG,YI-FENG | - | - | - |
| TSM TECH CO., LTD. | Chairman | WU , CHUN-CHI | TSM legal representative | 300,000 | 100.00 |
| INNOVA HOLDING CORP | Chairman | WU , KUO-CHEN | TYC legal representative | 5,549 | 100.00 |
| | Director | WU , CHUN-CHI | TYC legal representative | | |
| | Director | CHEN , CHIN-CHAO | TYC legal representative | | |
| | Director | CHUANG, TAI-SHIE | TYC legal representative | | |
| GENERA CORPORATION | Director | William Newman | INNOVA legal representative | USD12,388,505 | 100.00 |
| W & W REAL PROPERTY, INC. | Director | William Newman | INNOVA legal representative | USD1,000,000 | 100.00 |
| TYC VIENTNAM INDUSTRIAL CO., LTD. | Chairman | CHEN , CHIN-CHAO | TYC legal representative | USD5,000,000 | 60.00 |
| | Director | WU , KUO-CHEN | TYC legal representative | | |
| | Director | M.L. Lin | Taiwan FCC legal representative | | |
| | Director | C.N. Lin | DIAMOND legal representative | | |

Note 1: If the affiliated company is a foreign company, the equivalent position is listed.

Note 2: If the director or supervisor is a legal entity, the relevant information of the representative should be disclosed separately.

Note 3: The amount of capital contributed is expressed in currency, and the rest is the number of shares.

## 6. Overview of Affiliate Operations.

2022

Unit:NT$1,000，Foreign currency as the original currency

| Company Name | Capital | Total assets | Total liabilities | Net Value | Net operating income | Operating (Loss) Gain | Current profit (loss) (after tax) | Eps (yuan) (tax) | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| JUOKU TECHNOLOGY CO., LTD. | 387,310 | 2,737,592 | 2,225,991 | 511,601 | 1,886,441 | 35,403 | 131,744 | - | |
| TI YUAN INVESTMENT CO., LTD. | 57,310 | 53,909 | 30 | 53,879 | 1,351 | 1,185 | 1,274 | - | |
| TI FU INVESTMENT CO., LTD. | 95,500 | 220,788 | 535 | 220,253 | 35,177 | 33,446 | 34,682 | - | |
| DBM REFLEX OF TAIWAN CO., LTD. | 120,000 | 323,549 | 79,559 | 243,990 | 208,654 | 69,494 | 66,885 | - | |
| TAMAU MANAGEMENT CONSULTANCY CO., LTD. | 2,600 | 6,522 | 4,123 | 2,399 | 7,619 | (1,834) | (1,818) | - | |
| CONTEK CO., LTD. | 66,005 | 45,805 | - | 45,805 | - | (71) | (10,976) | - | |
| BESTE MOTOR CO., LTD. | 392,024 | 1,395,373 | 88,081 | 1,307,292 | - | (75,471) | (59,006) | - | |
| SUPRA-ATOMIC CO., LTD. | 2,064,812 | 1,340,396 | - | 1,340,396 | - | - | (59,897) | - | |
| EUROPILOT CO., LTD. | 479,909 | 561,923 | - | 561,923 | - | - | 53,719 | - | |
| MOTOR-CURIO CO., LTD. | 56,323 | 176,484 | - | 176,484 | - | - | 32,330 | - | |
| SPARKING CO., LTD. | 914,090 | 39,969 | - | 39,969 | - | - | (188,240) | - | |
| EUROLITE CO., LTD. | 523,358 | 192,183 | - | 192,183 | - | - | 19,991 | - | |
| UNIMOTOR INDUSTRIAL CO., LTD. | 327,190 | 338,045 | - | 338,045 | - | - | 18,778 | - | |
| TYC EUROPE B.V. | 431,892<br>EUR 10,150,000 | 1,210,393<br>EUR 36,870,960 | 648,504<br>EUR 19,754,721 | 561,889<br>EUR 17,116,239 | 2,298,354<br>EUR 73,373,818 | 69,916<br>EUR 2,232,021 | 53,716<br>EUR 1,714,845 | -<br>- | (NOTE 1) |
| T.I.T INTERNATIONAL CO., LTD | 440,612<br>THB 499,560,000 | 447,881<br>THB 506,537,003 | 255,723<br>THB 289,213,537 | 192,158<br>THB 217,323,466 | 645,873<br>THB 760,958,970 | 24,574<br>THB 28,952,466 | 19,988<br>THB 23,550,047 | -<br>- | (NOTE 1) |
| KUN SHAN TYC HIGH PERFORMANCE LIGHTING TECH CO., LTD. | 895,708<br>RMB191,192,050 | 795,863<br>RMB 178,947,025 | 766,961<br>RMB 172,448,490 | 28,902<br>RMB 6,498,535 | 152,134<br>RMB 34,386,920 | (137,436)<br>RMB (31,064,734) | (187,569)<br>RMB(42,396,486) | -<br>- | (NOTE 1) |
| CHANGZHOU DAMAO PRECISION INDUSTRIAL CO.,LTD. | 196,899<br>RMB 49,757,411 | 441,370<br>RMB 99,240,410 | 103,514<br>RMB 23,274,670 | 337,856<br>RMB 75,965,740 | 199,193<br>RMB 45,023,916 | (2,093)<br>RMB (473,076) | 18,759<br>RMB 4,240,113 | -<br>- | (NOTE 1) |
| TSM TECH CO., LTD. | 10,122 | 9,286 | - | 9,286 | - | - | 1 | - | |
| TYC VIETNAM INDUSTRIAL CO., LTD | 147,900 | 149,729 | 1,187 | 148,542 | - | (2,579) | (2,160) | - | (NOTE 1) |
| INNOVA HOLDING CORP. | 362,468<br>USD 12,250,000 | VND115,353,828,848<br>6,758,002 | VND 914,939,801<br>4,981,819 | VND114,438,889,047<br>1,776,183 | <br>9,633,909 | VND(2,028,899,968)<br>190,537 | VND(1,699,153,838)<br>69,947 | -<br>- | NOTE 1) |

(Note1):2022.12.31 Exch. Rate USD/NTD:30.6845 2022 Average Exchange USD/NTD:27.919103

| 2022.12.31 Exch. Rate | 2022 Average Exchange |
|---|---|
| USD/NTD:30.6845 | USD/NTD:27.919103 |
| THB/NTD: 0.831978 | THB/NTD: 0.873069 |
| RMB/NTD: 4.350654 | RMB/NTD: 4.326115 |
| EUR/NTD:31.403533 | EUR/NTD: 33.032951 |
| VND/NTD: 0.001212 | VND/NTD: 0.001216 |

(Note 2): All affiliated companies should be disclosed regardless of their size.

(Note 3): If the related party is a foreign company, the relevant figures should be presented in Taiwan dollars using the exchange rate at the reporting date.

(2) Consolidated Financial Statements of Affiliated Companies:
Consolidated financial statements with parent and subsidiary
(Please refer to P82 ~ P186)

(3) Relationship report: None

2.Private securities in the past year and as of the date of publication of the annual report: None

3.Holding or disposal of the company's shares by affiliates in the past year and as of the date of publication of the annual report:

Unit: NT 1000; Shares；%

| Name of Subsidiary | Paid-in capital | Source of funds | Percentage of the Company's shareholding | Date of acquisition or disposition | No. and amount of shares acquired | Number and amount of shares disposed | Profit and Loss on Investment | Number and amount of shares held as of the date of publication of the Annual Report | Establishment of Authority | Amount of guarantee endorsed by the Company for its subsidiaries | Amount loaned to subsidiaries by the Company |
|---|---|---|---|---|---|---|---|---|---|---|---|
| TI FU INVESTMENT CO., LTD. | 95,500 | Share capital: 30,000 Surplus: 65,500 | 100% | No | 0 | 0 | 0 | 939,707 shares $5,996,000 | No | 0 | 0 |

4.Other necessary supplementary information: None

# IX.Matters in the past year and as of the date of publication of the annual report which have a substantial impact on the owner's equity as stipulated in item 2, paragraph 2 of Article 36 of the Securities Exchange Law.

T.Y.C. BROTHER IND. CO., LTD

Chairman WU , KUO-CHEN