KENDA

Ticker Number：2106

# KENDA RUBBER IND. CO., LTD.

# 2022 Annual General Shareholders' Meeting Handbook

Date： June 30, 2022 at 9:30 a.m.

Place：Auditorium, 1F., No.146, Sec.1, Chung Shan Road, Yuanlin, Taiwan

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# Meeting Procedures for the 2022 Annual Shareholders' Meeting of Kenda Rubber Ind. Co. Ltd.

Shareholders' meeting will be held by means of physical shareholders' meeting.

Time: June 30, 2022 (Thursday) at 9:30 am

Place: No. 146, Sec. 1, Chung Shan Rd., Yuanlin City, Changhua County (Auditorium on the ground floor of the Company)

1. Meeting begins (report the number of shares present).
2. Call the Meeting to Order.
3. Chairperson Remarks.
4. Management Presentation (Company Reports):
   (1) The 2021 Business Report.
   (2) The 2021 Audit Committee's Audit Report for the Year 2021.
   (3) The 2021 Employees' and Directors' Remuneration.
   (4) The 2021 Earning Distribution and Cash Dividends Report.
   (5) Endorsement and Guarantee.
   (6) Other items.
5. Ratifications:
   (1) Adoption of the 2021 Business Report and Financial Statements.
   (2) Adoption of the 2021 Earnings Distribution.
6. Discussions:
   (1) Amendment to the Company's Article of Incorporation.
   (2) Amendment to the Company's Rules of Procedures for Shareholders' meetings.
   (3) Amendment to the Company's Procedures for the Acquisition or Disposal of Assets.
   (4) Release the prohibition on directors from participation in competitive business.
7. Questions and Motions.
8. Adjournment.

# Management Presentation (Company Reports)

1. The 2021 Business Report

   Explanation: Please refer to pages 34 to 37 of this Handbook for the Business Report.

2. The 2021 Audit Committee's Audit Report

   Explanation: Please refer to page 38 of this Handbook for the Audit Committee's Audit Report

3. The 2021 Employees' and Directors' Remuneration

   Explanation:

   1. In accordance with Article 27-1 of the Company's Articles of Incorporation, the employees' remuneration shall be distributed at a rate of not exceeding 0.5% of the profits for the year; the directors' remuneration shall be distributed at a rate not exceeding 3% of the profits for the year.
   2. The total amount of employee remuneration for the year 2021 was NT$10,192,014; the total amount of director remuneration was NT$15,297,253.
   3. The distribution of the remuneration of the employees and the directors shall be made in cash.

4. The 2021 Earning Distribution and Cash Dividends Report

   Explanation:

   1. In accordance with Article 27 of the Articles of Incorporation and the resolution of the Board of Directors of the Company on March 23, 2022.
   2. The Company proposes to distribute NT$909,410,000 in cash as a shareholders' dividend from the earnings for the year 2021, with each share being allocated at NT$1.0. Cash dividends are calculated based on the shareholding percentage of the shareholders as recorded in the shareholders' roster on the dividend distribution record date. Cash dividends are distributed up to the dollar amount (rounded up to the nearest dollar). The total fractional amount is recognized as other income to the Company.
   3. The Chairman is hereby authorized to determine the ex-dividend date and the dividend distribution date, and to adjust the allotment amount per share in the event of any subsequent change in the number of outstanding shares due to the repurchase of the Company's shares or the transfer of treasury shares.

5. Endorsement and Guarantee

   Note: The balance of the Company's endorsement and guarantee as of December 31, 2021 is NT$8,016,791,000, as shown in the following statement, which is submitted for review in accordance with the Company's endorsement and guarantee regulations.

Kenda Rubber Ind. Co., Ltd.

Statement of Endorsement and Guarantee

| Party guaranteed | Representative | Name of the Bank | The commencement and end date of the endorsement | Currency | Exchange rate | Endorsement Amount | |
|---|---|---|---|---|---|---|---|
| | | | | | | Foreign currency (thousand dollars) | New Taiwan Dollars |
| STARCO Europe A/S | Yang, Chi-Jen | Bank SinoPac | 2021/07/01~2022/06/30 | EUR | 31.348606 | 20,000 | 626,972,000 |
| STARCO Europe A/S | Yang, Chi-Jen | Mega International Commercial Bank | 2021/07/01~2022/06/30 | EUR | 31.348606 | 19,000 | 595,624,000 |
| STARCO Europe A/S | Yang, Chi-Jen | UNITED OVERSEAS BANK LIMITED | 2021/07/01~2022/06/30 | EUR | 31.348606 | 15,000 | 470,229,000 |
| STARCO Europe A/S<br>STARCO GmbH<br>STARCO Polska Sp.z o.o.<br>STARCO SAS<br>STARCO GS AG<br>STARCO NV<br>STARCO GB Ltd<br>STARCO DML Ltd<br>STARCO Baltic OÜ | Yang, Chi-Jen | Citibank | 2021/11/10~2022/06/30 | USD | 27.676000 | 20,000 | 553,520,000 |
| AMERICAN KENDA RUBBER IND. CO., LTD. | Yang, Chi-Jen | Shanghai Commercial Bank | 2021/07/01~2022/06/30 | USD | 27.676000 | 6,000 | 166,056,000 |
| AMERICANA DEVELOPMENT, INC. | Yang, Chi-Jen | Shanghai Commercial Bank | 2021/07/01~2022/06/30 | USD | 27.676000 | 6,000 | 166,056,000 |
| PT. KENDA RUBBER INDONESIA | Chen, Chao-Jung | CTBC Bank | 2021/11/10~2022/06/30 | USD | 27.676000 | 13,000 | 359,788,000 |
| PT. KENDA RUBBER INDONESIA | Chen, Chao-Jung | KGI Bank | 2021/07/01~2022/06/30 | USD | 27.676000 | 20,000 | 553,520,000 |
| PT. KENDA RUBBER INDONESIA | Chen, Chao-Jung | Shanghai Commercial Bank | 2021/07/01~2022/06/30 | USD | 27.676000 | 6,000 | 166,056,000 |
| PT. KENDA RUBBER INDONESIA | Chen, Chao-Jung | Cathay United Bank | 2021/05/06~2022/06/30 | USD | 27.676000 | 5,000 | 138,380,000 |
| PT. KENDA RUBBER INDONESIA | Chen, Chao-Jung | Bank of Taiwan | 2021/08/11~2022/06/30 | USD | 27.676000 | 6,000 | 166,056,000 |
| PT. KENDA RUBBER INDONESIA | Chen, Chao-Jung | PT.Bank Mizuho Indonesia | 2021/11/10~2022/06/30 | USD | 27.676000 | 5,000 | 138,380,000 |
| PT. KENDA RUBBER INDONESIA | Chen, Chao-Jung | Taishin International Bank | 2021/05/06~2022/06/30 | USD | 27.676000 | 15,000 | 415,140,000 |
| KENDA RUBBER (VIETNAM) CO., LTD. | Yang, Ying-Ming | | | | | | |
| KENDA RUBBER (VIETNAM) CO., LTD. | Yang, Ying-Ming | Mega International Commercial Bank Ho Chi Minh City Branch | 2021/08/11~2022/06/30 | USD | 27.676000 | 18,000 | 498,168,000 |
| KENDA RUBBER (VIETNAM) CO., LTD. | Yang, Ying-Ming | Mizuho Bank, Ltd. Ho Chi Minh City Branch | 2021/08/11~2022/06/30 | USD | 27.676000 | 20,000 | 553,520,000 |
| KENDA RUBBER (VIETNAM) CO., LTD. | Yang, Ying-Ming | Taipei Fubon Bank | 2021/07/01~2022/06/30 | USD | 27.676000 | 5,000 | 138,380,000 |
| KENDA RUBBER (VIETNAM) CO., LTD. | Yang, Ying-Ming | CTBC Bank Ho Chi Minh City Branch | 2021/11/10~2022/06/30 | USD | 27.676000 | 20,000 | 553,520,000 |
| KENDA RUBBER (VIETNAM) CO., LTD. | Yang, Ying-Ming | Hua Nan Bank | 2021/07/01~2022/06/30 | USD | 27.676000 | 10,000 | 276,760,000 |
| KENDA RUBBER (VIETNAM) CO., LTD. | Yang, Ying-Ming | UNITED OVERSEAS BANK (VIETNAM) LIMITED | 2021/05/06~2022/06/30 | USD | 27.676000 | 10,000 | 276,760,000 |
| KENDA RUBBER (VIETNAM) CO., LTD. | Yang, Ying-Ming | Bank SinoPac Ho Chi Minh City Branch | 2021/07/01~2022/06/30 | USD | 27.676000 | 10,000 | 276,760,000 |
| KENDA RUBBER (VIETNAM) CO., LTD. | Yang, Ying-Ming | Standard Chartered Bank (Vietnam) Limited – Ho Chi Minh City Branch | 2021/07/01~2022/06/30 | USD | 27.676000 | 5,000 | 138,380,000 |
| KENDA RUBBER (VIETNAM) CO., LTD. | Yang, Ying-Ming | Shanghai Commercial Bank, Vietnam Dong Nai Branch | 2021/07/01~2022/06/30 | USD | 27.676000 | 9,000 | 249,084,000 |
| KENDA RUBBER (VIETNAM) CO., LTD. | Yang, Ying-Ming | Cathay United Bank-Chu Lai Branch | 2021/07/01~2022/06/30 | USD | 27.676000 | 8,500 | 235,246,000 |
| KENDA RUBBER (TIANJIN) LIMITED | Yang, Ying-Ming | Standard Chartered Bank (China) Limited | 2021/07/01~2022/06/30 | USD | 27.676000 | 5,000 | 138,380,000 |
| KENDA RUBBER (TIANJIN) LIMITED | Yang, Ying-Ming | Citibank | 2021/07/01~2022/06/30 | USD | 27.676000 | 6,000 | 166,056,000 |
| Total | | | | | EUR | 54,000 | 8,016,791,000 |
| | | | | | USD | 228,500 | |

6. Other items: None.

# Ratifications

**Item 1:** Proposed by the Board of Directors

Proposal: Adoption of the 2021 Business Report and Financial Statements.

Explanation:

1. The Company's financial statements for the year 2021 have been audited by Deloitte & Touche and an audit report has been issued accordingly. A copy of the audit report, together with the business report, is submitted to the Audit Committee for review and the review report is issued.
2. Please refer to pages 34 to 37 and pages 39 to 59 of this Handbook for the 2021 Business Report and Financial Statements.

Resolution:

**Item 2:** Proposed by the Board of Directors

Proposal: Adoption of the 2021 Earnings Distribution.

Explanation:

1. In accordance with the Company's Articles of Incorporation, the proposed distribution of the Company's 2021 earnings is as follows: The unappropriated earnings at the beginning of the period was NT$5,798,128,480, less the remeasurement of the defined benefit plan recognized in retained earnings of NT$10,469,370, plus net income after tax of NT$917,933,235 for 2021, and after setting aside a legal reserve of NT$90,746,386 and a special reserve of NT$369,992,912, the distributable earnings is NT$6,244,853,047. In accordance with the Company's Articles of Incorporation, the Board of Directors resolved to distribute cash dividends in the amount of NT$909,410,000, at NT$1.0 for each share.
2. The preceding earnings shall be distributed with first priority to the 2021 earnings followed by the previous year's undistributed earnings if there is a shortfall.
3. Please refer to the following page for the Company's "Earnings Distribution Table."

Resolution:

Kenda Rubber Ind. Co., Ltd.

Earnings Distribution Table for the Year 2021

Unit: NTD

| | | |
|---|---|---|
| Unappropriated retained earnings at the beginning of the period | | $ 5,798,128,480 |
| Net profit after tax for the period | 917,933,235 | |
| The remeasurement of defined benefit plans recognized in retained earnings | (10,469,370) | |
| Net profit after tax plus items excluded from net profit after tax for the period | | |
| Unappropriated earnings of the year | | 907,463,865 |
| Less: Legal reserve (10%) | | ( 90,746,386) |
| Less: Special reserve (Note) | | (369,992,912) |
| Distributable net profit for the period | | 6,244,853,047 |
| Distributable items: | | |
| Cash Dividend for shareholders' bonus (at 1.0 per share) | | 909,410,000 |
| Stock Dividend for shareholders' bonus | | 0 |
| Unappropriated retained earnings | | $ 5,335,443,047 |

Note: Special reserve is recognized in accordance with No. Financial-Supervisory-Securities-Corporate-1010012865.

Chairman: Yang, Chi-Jen Managers: Chen, Chao-Jung Accounting Supervisor: Liu, Kuei-Chun

# Discussions

**Item 1:** Proposed by the Board of Directors

Proposal: Amendment to the Company's Article of Incorporation. Please proceed to resolve.

Explanation:

1. The Company proposes to increase the capital stock and therefore, amend Article 6 of the Company's Articles of Incorporation in line with the Company's plans for the future.
2. The Article 10 of the Company's Articles of Incorporation is amended to allow more flexibility for the Company to convene shareholders' meetings pursuant to Article 172-2, Paragraph 1 of the Company Act, in that the Company may explicitly provide for in its Articles of Incorporation that its shareholders' meeting can be held by means of visual communication network or other methods promulgated by the central competent authority.
3. The Company amended the Articles 14, 18, 19, and 26 of the Company's Articles of Incorporation in conjunction with the laws and the practical work.
4. Comparison Table for the Amendment to the Articles of Incorporation is as follow:

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
|---|---|---|---|
| Article 6 | The total capital of the Company is set at NT$9,100 million, divided into 910 million shares at NT$10 each, of which the unissued shares are authorized to be issued by the Board of Directors in installments. | The total capital of the Company is set at NT$11,000 million, divided into 1,100 million shares at NT$10 each, of which the unissued shares are authorized to be issued by the Board of Directors in installments. | Amendments are made in line with the Company's operational needs. |
| Article 10 | Item 1 to item 3 are omitted.<br>None. | Item 1 to item 3 are omitted.<br>The shareholders' meeting can be held by means of visual communication network or other methods promulgated by the central competent authority. | Amendments are made in line with the law. |
| Article 14 | Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the company within twenty (20) days after the close of the meeting. The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. (The minutes shall be kept together with the attendance list bearing the signatures of shareholders present at the meeting and the powers of attorney of the proxies).<br>Item 2 is omitted. | Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the company within twenty (20) days after the close of the meeting. The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting.<br>Item 2 is omitted. | Amendments are made in line with the Company's actual operation. |
| Article 18 | The Board of Directors' meeting shall be convened by the Chairman of the Board to determine the Company's business policies and other important matters. The Chairman of the Board | The Board of Directors' meeting shall be convened by the Chairman of the Board to determine the Company's business policies and other important matters. The Chairman of the Board | Amendments are made in line with the Company's actual operation. |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
|---|---|---|---|
| | shall be the Chair of the meeting; when the Chairman is absent, the provisions of the preceding Article shall apply. Other important matters referred to in the preceding paragraph include the acquisition and disposal of the Company's general assets and real estate, and the provision of guarantees for the associates. | shall be the Chair of the meeting; when the Chairman is absent, the provisions of Article 17 shall apply. Other important matters referred to in the preceding paragraph include the acquisition and disposal of the Company's general assets and real estate, and the provision of guarantees for the associates. | |
| Article 19 | Item 1 to item 4 are omitted.<br>A director residing in a foreign country may appoint in writing a shareholder residing domestically as his/her proxy to attend the meetings of the Board of Directors on a regular basis. | Item 1 to item 4 are omitted.<br>Deleted. | Amendments are made in line with the law. |
| Article 26 | The Company's fiscal year shall commence on January 1 and end on December 31. At the close of each fiscal year, the Board of Directors shall prepare and submit the following statements to the general meeting for acceptance.<br>1. The business report.<br>2. Balance sheet.<br>3. Inventory of property.<br>4. Income statement.<br>5. Cash flow statement.<br>6. Statement of changes in shareholders' equity.<br>7. Proposals for earnings distribution and loss make-up. | The Company's fiscal year shall commence on January 1 and end on December 31. At the close of each fiscal year, the Board of Directors shall prepare and submit the following statements to the general meeting for acceptance.<br>1. The business report.<br>2. Financial statements.<br>3. Proposal of surplus earning distribution or loss off-setting. | Amendments are made in line with the law. |
| Article 30 | These Articles of Incorporation were first adopted on March 1, 1962 …the 49th Amendment was made on August 31, 2021. These Articles of Incorporation shall be effective as of the date of adoption by the shareholders' meeting. | These Articles of Incorporation were first adopted on March 1, 1962 …the 50th Amendment was made on June 30, 2022. These Articles of Incorporation shall be effective as of the date of adoption by the shareholders' meeting. | The amendment is made to Date and Times. |

Resolution:

**Item 2:** Proposed by the Board of Directors

Proposal: Amendment to the Company's Rules of Procedures for Shareholders' meeting. Please proceed to resolve.

Explanation:

1. In response to the amendment of Article 172-2 of the Company Act, which allows public companies to hold shareholders' meetings by means of visual communication network; on March 4, 2022, the Financial Supervisory Commission amended and promulgated the relevant provisions of the "Regulations Governing the Administration of Shareholder Services of Public Companies" to include the requirements for virtual shareholders' meetings. The Company has amended the "Rules of Procedure for Shareholders' meetings" based on the amendment to the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders' meetings" issued by the TWSE on March 8, 2022 to be in line with the digitization and to provide a convenient way for shareholders to participate in shareholders' meetings.
2. Table of Comparison of amendment to the Company's Rules of Procedures for Shareholders' meetings.

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
|---|---|---|---|
| Article 3 | Item 1 is omitted.<br><br>The Company shall prepare electronic versions of the shareholders' meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders' meeting or before 15 days before the date of a special shareholders' meeting. The Company shall prepare electronic versions of the shareholders' meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders' meeting or before 15 days before the date of the special shareholders' meeting. In addition, before 15 days before the date of the shareholders' meeting, the Company shall also have prepared the shareholders' meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the shareholder services agent as well as being distributed on-site at the meeting place. | Item 1 is omitted.<br>Changes to how the Company convenes its shareholders' meeting shall be resolved by the Board of Directors, and shall be made no later than mailing of the shareholders' meeting notice.<br>The Company shall prepare electronic versions of the shareholders' meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders' meeting or before 15 days before the date of a special shareholders' meeting. The Company shall prepare electronic versions of the shareholders' meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders' meeting or before 15 days before the date of the special shareholders' meeting. If, however, the Company has the paid-in capital of NT$10 billion or more as of the last day of the most current fiscal year, or total shareholding of foreign shareholders and PRC shareholders reaches 30% or more as recorded in the register of shareholders of the shareholders' meeting held in the immediately preceding year, transmission of these electronic files shall be made by 30 days before the regular shareholders' meeting. In addition, before 15 days | Amendments are made in line with the law. |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
|---|---|---|---|
| | | before the date of the shareholders' meeting, the Company shall also have prepared the shareholders' meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the shareholder services agent.<br>The Company shall make the meeting agenda and supplemental meeting materials in the preceding paragraph available to shareholders for review in the following manner on the date of the shareholders' meeting:<br>1. For physical shareholders' meetings, to be distributed on-site at the meeting.<br>2. For hybrid shareholders' meetings, to be distributed on-site at the meeting and shared on the virtual meeting platform.<br>3. For virtual-only shareholders' meetings, electronic files shall be shared on the virtual meeting platform.<br>The following is omitted. | |
| Article 4 | Item 1 to Item 3 are omitted. | Item 1 to Item 3 are omitted.<br>If, after a proxy form is delivered to the Company, a shareholder wishes to attend the shareholders' meeting online, a written notice of proxy cancellation shall be submitted to the Company two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail. | Amendments are made in line with the law. |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
|---|---|---|---|
| Article 5 | Item 1 is omitted. | Item 1 is omitted.<br>The restrictions on the place of the meeting shall not apply when the Company convenes a virtual-only shareholders' meeting. | Amendments are made in line with the law. |
| Article 6 | | The Company shall specify in its shareholders' meeting notices the time during which attendance registrations for shareholders, solicitors and proxies (collectively "shareholders") will be accepted, the place to register for attendance, and other matters for attention.<br>The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations. For virtual shareholders' meetings, shareholders may begin to register on the virtual meeting platform 30 minutes before the meeting starts. Shareholders completing registration will be deemed as attend the shareholders' meeting in person. | Amendments are made in line with the law. |
| | Shareholders and their proxies (collectively, "shareholders") shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification. | Shareholders shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification. | |
| | The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may | The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may | |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
|---|---|---|---|
| | hand in a sign-in card in lieu of signing in.<br>The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.<br>When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting. | hand in a sign-in card in lieu of signing in.<br>The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.<br>When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.<br>In the event of a virtual shareholders' meeting, shareholders wishing to attend the meeting online shall register with the Company two days before the meeting date.<br>In the event of a virtual shareholders' meeting, the Company shall upload the meeting agenda book, annual report and other meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting. | |
| Article 6-1 | None. | To convene a virtual shareholders' meeting, the Company shall include the follow particulars in the shareholders' meeting notice:<br>1. How shareholders attend the virtual meeting and exercise their rights.<br>2. Actions to be taken if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or | Amendments are made in line with the law. |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
| --- | --- | --- | --- |
| | | other force majeure events, at least covering the following particulars:<br>A. To what time the meeting is postponed or from what time the meeting will resume if the above obstruction continues and cannot be removed, and the date to which the meeting is postponed or on which the meeting will resume.<br>B. Shareholders not having registered to attend the affected virtual shareholders' meeting shall not attend the postponed or resumed session.<br>C. In case of a hybrid shareholders' meeting, when the virtual meeting cannot be continued, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders' meeting online, meets the minimum legal requirement for a shareholder' meeting, then the shareholders' meeting shall continue. The shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, and the shareholders attending the virtual meeting online shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders' meeting.<br>D. Actions to be taken if the outcome of all proposals have been announced and extraordinary | |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
|---|---|---|---|
| | | motion has not been carried out.<br>3. To convene a virtual-only shareholders' meeting, appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders' meeting online shall be specified. | |
| Article 8 | Item 1 is omitted. | Item 1 is omitted.<br>Where a shareholders' meeting is held online, the Company shall keep records of shareholder registration, sign-in, check-in, questions raised, votes cast and results of votes counted by the Company, and continuously audio and video record, without interruption, the proceedings of the virtual meeting from beginning to end.<br>The information and audio and video recording in the preceding paragraph shall be properly kept by the Company during the entirety of its existence, and copies of the audio and video recording shall be provided to and kept by the party appointed to handle matters of the virtual meeting. | Amendments are made in line with the law. |
| Article 9 | Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.<br><br>The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce | Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in, and the shares checked in on the virtual meeting platform, plus the number of shares whose voting rights are exercised by correspondence or electronically.<br>The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce | Amendments are made in line with the law. |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
|---|---|---|---|
| | a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.<br><br>If the quorum is not met after two postponements but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month.<br><br>Below is omitted. | a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned. In the event of a virtual shareholders' meeting, the Company shall also declare the meeting adjourned at the virtual meeting platform.<br>If the quorum is not met after two postponements but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month. In the event of a virtual shareholders' meeting, shareholders intending to attend the meeting online shall re-register to the Company in accordance with Article 6.<br>Below is omitted. | |
| Article 11 | Item 1 to Item 6 are omitted. | Item 1 to Item 6 are omitted.<br>Where a virtual shareholders' meeting is convened, shareholders attending the virtual meeting online may raise questions in writing at the virtual meeting platform from the chair declaring the meeting open until the chair declaring the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more than 200 words. The regulations in paragraphs 1 | Amendments are made in line with the law. |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
|---|---|---|---|
| | | to 5 do not apply. | |
| Article 13 | Item 1 and Item 2 are omitted.<br>A shareholder intending to exercise voting rights by electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before two days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.<br>After a shareholder has exercised voting rights by electronic means, in the event the shareholder intends to attend the shareholders' meeting in person, a declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before two business days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by electronic means shall prevail. When a shareholder has exercised voting rights both by electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.<br>Item 5 to Item 8 are omitted. | Item 1 and Item 2 are omitted.<br>A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before two days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.<br>After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders' meeting in person or online, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before two business days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.<br>Item 5 to Item 8 are omitted.<br>When the Company convenes a virtual shareholders' meeting, after the chair declares the meeting open, shareholders | Amendments are made in line with the law. |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
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| | | attending the meeting online shall cast votes on proposals and elections on the virtual meeting platform before the chair announces the voting session ends or will be deemed abstained from voting.<br>In the event of a virtual shareholders' meeting, votes shall be counted at once after the chair announces the voting session ends, and results of votes and elections shall be announced immediately.<br>When the Company convenes a hybrid shareholders' meeting, if shareholders who have registered to attend the meeting online in accordance with Article 6 decide to attend the physical shareholders' meeting in person, they shall revoke their registration two days before the shareholders' meeting in the same manner as they registered. If their registration is not revoked within the time limit, they may only attend the shareholders' meeting online.<br>When shareholders exercise voting rights by correspondence or electronic means, unless they have withdrawn the declaration of intent and attended the shareholders' meeting online, except for extraordinary motions, they will not exercise voting rights on the original proposals or make any amendments to the original proposals or exercise voting rights on amendments to the original proposal. | |
| Article 15 | Item 1 to Item 3 are omitted. | Item 1 to Item 3 are omitted.<br>Where a virtual shareholders' meeting is convened, in addition to the particulars to be included in the meeting minutes as described in the preceding paragraph, the start time and end time of the | Amendments are made in line with the law. |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
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| | | shareholders' meeting, how the meeting is convened, the chair's and secretary's name, and actions to be taken in the event of disruption to the virtual meeting platform or participation in the meeting online due to natural disasters, accidents or other force majeure events, and how issues are dealt with shall also be included in the minutes.<br>When convening a virtual-only shareholders' meeting, other than compliance with the requirements in the preceding paragraph, the Company shall specify in the meeting minutes alternative measures available to shareholders with difficulties in attending a virtual-only shareholders' meeting online. | |
| Article 16 | On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders' meeting. | On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation, the number of shares represented by proxies and the number of shares represented by shareholders attending the meeting by correspondence or electronic means, and shall make an express disclosure of the same at the place of the shareholders' meeting. In the event a virtual shareholders' meeting, the Company shall upload the above meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.<br>During the Company's virtual shareholders' meeting, when the meeting is called to order, the total number of shares represented at the | Amendments are made in line with the law. |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
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| | | meeting shall be disclosed on the virtual meeting platform. The same shall apply whenever the total number of shares represented at the meeting and a new tally of votes is released during the meeting.<br>If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period. | |
| | If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period. | | |
| Article 19 | None. | In the event of a virtual shareholders' meeting, the Company shall disclose real-time results of votes and election immediately after the end of the voting session on the virtual meeting platform according to the regulations, and this disclosure shall continue at least 15 minutes after the chair has announced the meeting adjourned. | Amendments are made in line with the law. |
| Article 20 | None. | When the Company convenes a virtual-only shareholders' meeting, both the chair and secretary shall be in the same location, and the chair shall declare the address of their location when the meeting is called to order. | Amendments are made in line with the law. |
| Article 21 | None. | In the event of a virtual shareholders' meeting, if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events before the chair has announced the meeting adjourned, and the obstruction continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date within five | Amendments are made in line with the law. |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
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| | | days, in which case Article 182 of the Company Act shall not apply.<br>For a meeting to be postponed or resumed as described in the preceding paragraph, shareholders who have not registered to participate in the affected shareholders' meeting online shall not attend the postponed or resumed session.<br>For a meeting to be postponed or resumed under the first and the second paragraph, the number of shares represented by, and voting rights and election rights exercised by the shareholders who have registered to participate in the affected shareholders' meeting and have successfully signed in the meeting, but do not attend the postpone or resumed session, at the affected shareholders' meeting, shall be counted towards the total number of shares, number of voting rights and number of election rights represented at the postponed or resumed session.<br>During a postponed or resumed session of a shareholders' meeting held under the first and the second paragraph, no further discussion or resolution is required for proposals for which votes have been cast and counted and results have been announced, or list of elected directors.<br>When the Company convenes a hybrid shareholders' meeting, and the virtual meeting cannot continue as described in first and second paragraph, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders' meeting online, | |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
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| | | still meets the minimum legal requirement for a shareholders' meeting, then the shareholders' meeting shall continue, and not postponement or resumption thereof under the first and the second paragraph is required.<br>Under the circumstances where a meeting should continue as in the preceding paragraph, the shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, provided these shareholders shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders' meeting.<br>When postponing or resuming a meeting according to the first and the second paragraph, the Company shall handle the preparatory work based on the date of the original shareholders' meeting in accordance with the requirements listed under Article 44-20, paragraph 7 of the Regulations Governing the Administration of Shareholder Services of Public Companies.<br>For dates or period set forth under Article 12, second half, and Article 13, paragraph 3 of Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies, and Article 44-5, paragraph 2, Article 44-15, and Article 44-17, paragraph 1 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the Company hall handle the matter based on the date of the shareholders' meeting that is postponed | |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
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| | | or resumed under the first and the second paragraph. | |
| Article 22 | None. | When convening a virtual-only shareholders' meeting, the Company shall provide appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders' meeting online. | Amendments are made in line with the law. |
| Article 23 | Article 19:<br>These Rules shall take effect after having been submitted to and approved by a shareholders' meeting. Subsequent amendments thereto shall be effected in the same manner. | Article 23:<br>These Rules shall take effect after having been submitted to and approved by a shareholders' meeting. Subsequent amendments thereto shall be effected in the same manner. | Amendments are made in line with the law. |

Resolution:

**Item 3:** Proposed by the Board of Directors

Proposal: Amendment to the Company's Procedures for Acquisition or Disposal of Assets. Please proceed to resolve.

Explanation:

1. In response to the Financial Supervisory Commission's letter dated January 28, 2022, the certain articles of the letter No. Financial-Supervisory-Securities-Corporate-1110380465 were amended; therefore, the Company proposes to amend the relevant articles of the "Procedures for the Acquisition or Disposal of Assets."
2. Comparison table for the amendments to the "Procedures for the Acquisition and Disposal of Assets" is as follows:

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
|---|---|---|---|
| No. 5.2 | Appraisal procedures: | Appraisal procedures: | |
| No. 5.2.2 | When acquiring or disposing of securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements or other related information of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT$300 million or more, the Company shall additionally engage a | When acquiring or disposing of securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements or other related information of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT$300 million or more, the Company shall additionally engage a | Amendments are made in line with the law. |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
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| | certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC). | certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC). | |
| No. 5.2.3 | Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. | Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price. | Amendments are made in line with the law. |
| No. 5.2.5 | When the Company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the audit committee to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of | When the Company conducts a merger, demerger, acquisition, or transfer of shares, it shall follow No. 5.17 of the Procedures. | Amendments are made in line with the law. |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
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| | cash or other property to shareholders, and submit it by the audit committee to the Board of Directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital. | | |
| No. 5.4 | Public announcement and regulatory filing procedures: | Public announcement and regulatory filing procedures: | |
| No. 5.4.1 | Under any of the following circumstances, when acquiring or disposing of assets, the Company shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations in Appendix 2 to Appendix 8 within 2 days counting inclusively from the date of occurrence of the event:<br>1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT$300 million or more; provided, | Under any of the following circumstances, when acquiring or disposing of assets, the Company shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations in Appendix 2 to Appendix 8 within 2 days counting inclusively from the date of occurrence of the event:<br>1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT$300 million or more; provided, | Amendments are made in line with the law. |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
| --- | --- | --- | --- |
| | this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.<br>2. Merger, demerger, acquisition, or transfer of shares.<br>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in No. 5.13.4 of the Procedures.<br>4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:<br>A. For a public company whose paid-in capital is less than NT$10 billion, the transaction amount reaches NT$500 million or more.<br>B. For a public company whose paid-in capital is NT$10 billion or more, the transaction amount reaches NT$1 billion or more.<br>5. Acquisition or disposal by a public company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT$500 million; among such cases, if the public company has paid-in capital of | this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.<br>2. Merger, demerger, acquisition, or transfer of shares.<br>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in No. 5.13.4 of the Procedures.<br>4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:<br>A. For a public company whose paid-in capital is less than NT$10 billion, the transaction amount reaches NT$500 million or more.<br>B. For a public company whose paid-in capital is NT$10 billion or more, the transaction amount reaches NT$1 billion or more.<br>5. Acquisition or disposal by a public company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT$500 million; among such cases, if the public company has paid-in capital of | |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
| --- | --- | --- | --- |
| | NT$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT$1 billion or more.<br>6. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT$500 million.<br>7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT$300 million; provided, this shall not apply to the following circumstances:<br>A. Trading of domestic government bonds.<br>B. Trading of bonds under repurchase and resale agreements, or | NT$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT$1 billion or more.<br>6. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT$500 million.<br>7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT$300 million; provided, this shall not apply to the following circumstances:<br>A. Trading of domestic government bonds <u>or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.</u><br>B. Trading of bonds under repurchase and resale agreements, or | |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
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| | subscription or redemption of money market funds issued by domestic securities investment trust enterprises. | subscription or redemption of money market funds issued by domestic securities investment trust enterprises. | |
| No. 5.5 | Procedure for appraisal of assets: | Procedure for appraisal of assets: | |
| No. 5.5.3 | Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:<br>1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.<br>2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount. | Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:<br>1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.<br>2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount. | Amendments are made in line with the law. |
| No. 5.10 | The procedures for adoption of resolutions:<br>When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets | The procedures for adoption of resolutions:<br>When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets | Amendments are made in line with the law. |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
| --- | --- | --- | --- |
| | thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted to the audit committee and approved by the Board of Directors:<br>1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.<br>2. The reason for choosing the related party as a transaction counterparty.<br>3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with No. 5.11, and No. 5.12 to 5.12.3 of the Procedures.<br>4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.<br>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the | thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted to the audit committee and approved by the Board of Directors:<br>1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.<br>2. The reason for choosing the related party as a transaction counterparty.<br>3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with No. 5.11, and No. 5.12 to 5.12.3 of the Procedures.<br>4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.<br>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the | |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
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| | necessity of the transaction, and reasonableness of the funds utilization.<br>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.<br>7. Restrictive covenants and other important stipulations associated with the transaction.<br>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with No. 5.4.2 of the Procedures herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been submitted to the audit committee and approved by the Board of Directors need not be counted toward the transaction amount. | necessity of the transaction, and reasonableness of the funds utilization.<br>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.<br>7. Restrictive covenants and other important stipulations associated with the transaction. | |
| No. 5.10.1 | With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's Board of Directors may delegate the Chairman of the Board to decide such matters when the transaction is within NT$300 million and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:<br>1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.<br>2. Acquisition or disposal of real | With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's Board of Directors may delegate the Chairman of the Board to decide such matters when the transaction is within NT$300 million and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:<br>1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.<br>2. Acquisition or disposal of real | Amendments are made in line with the law. |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
|---|---|---|---|
| | property right-of-use assets held for business use. | property right-of-use assets held for business use. | |
| No. 5.10.2 | Where the position of independent director has been created, when the procedures for the acquisition and disposal of assets are submitted for discussion by the Board of Directors pursuant to No. 5.10 of the Procedures, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting. | When the procedures for the acquisition and disposal of assets are submitted for discussion by the Board of Directors pursuant to No. 5.10 of the Procedures, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting. | Amendments are made in line with the law. |
| No. 5.10.4 | None. | The Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in No. 5.10 of the Procedures and the transaction amount will reach 10 percent or more of the Company's total assets, the Company shall submit the materials in all the provisions of No. 5.10 of the Procedures to the shareholders' meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the Company and subsidiaries or between its subsidiaries. | Amendments are made in line with the law. |
| No. 5.10.5 | None. | The calculation of the transaction amounts referred to in No. 5.10 and 5.10.4 of the Procedures shall be made in accordance with No. 5.4.2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the shareholders' meeting | Amendments are made in line with the law. |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
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| | | or Board of Directors and recognized by the audit committee need not be counted toward the transaction amount. | |
| No. 5.29 | None. | Appraisal report or opinion. | |
| No. 5.29.1 | None. | Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:<br>1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of the Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.<br>2. May not be a related party or de facto related party of any party to the transaction.<br>3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other. | Amendments are made in line with the law. |
| No. 5.29.2 | None. | When issuing an appraisal report or | Amendments are |

| Article | Content of Article before Amendment | Content of Article after Amendment | Description |
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| | | opinion, the personnel referred to in the preceding paragraph shall comply with the self-regulatory rules of the industry associations to which they belong and with the following provisions:<br>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.<br>2. When conducting a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.<br>3. They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.<br>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations. | made in line with the law. |

Resolution:

**Item 4:** Proposed by the Board of Directors

Proposal: Release the prohibition on directors from participation in competitive business.

Explanation:

1. In accordance with the provisions of Article 209 of the Company Act which states that "A director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval."
2. In the event that a director of the Company is a director or manager of another company who invests in or operates a business with the same scope as the Company's business, the Company may submit a proposal to the shareholders' meeting for the release the prohibition on that directors from participation in competitive business under the premise that the interests of the Company is not compromised.

3. The concurrent positions held by Stretch Investment Co., Ltd. Representative, Chen, Chao-Jung, is listed below:

| Company | Title |
|---|---|
| PT. KENDA RUBBER INDONESIA | Chairman of the Board |
| KENDA RUBBER (VIETNAM) CO., LTD. | Director |
| KENDA RUBBER (SHENZHEN) CO., LTD. | Director |
| KENDA RUBBER (TIANJIN) LIMITED | Director |
| KENDA GLOBAL HOLDING (CHINA) CO., LTD. | Director |
| KENDA GLOBAL INVESTMENT CORPORATION | Director |
| KENFONG INDUSTRIAL CO., LTD. | Director |

Resolution:

## Questions and Motions

## Adjournment

[Attachment 1]

# Business Report

Over the past year, the new variant of COVID-19 has been spreading rapidly around the world leading to another round of outbreaks all over the world. The labor shortage, the unstable supply chain, the high cost and freight charges continue to put pressure on the industry. How to maintain a steady and sustainable growth of business in today's uncertain world is the most important issue for enterprises. The Company has established the ESG Committee as the dedicated unit to promote sustainable development for the Company. We are taking action to integrate sustainable management into our business strategy through our working groups on environmental health and safety, employee relations, social participation and corporate governance to achieve sustainable development.

In 2021, the event that U.S. Department of Commerce imposed a high anti-dumping duty on tires imported from Taiwan still affected the competitiveness of Taiwan's tire manufacturers in the U.S. market. But, in response to market changes, the Company shifted the tires for passenger cars and light trucks exported from the factory in Taiwan to the United States to be produced in Vietnam and then sold to the United States, in order to prevent from being subject to high anti-dumping duties in U.S. Although there was a short-term disruption to production and operations due to the pandemic in Vietnam in mid-2021, the Company was able to respond to the situation and resume production quickly. Later, the Company also benefited from the strong market demand arising from the pandemic and recorded a 15% increase in turnover for the year. In addition, the Company's annual operating profit was also in a steady state due to the increase in product prices resulting from the sharp increase in raw material and shipping costs in 2021.

Looking ahead to 2022: Despite the restructuring of the supply chain caused by the war between Russia and Ukraine, rapid changes in product supply and demand in the post-epidemic era, exchange rate fluctuations and higher raw material prices due to inflation, the Company will continue to expand the production scale in Vietnam, expand the production capacity of bicycle tires in Indonesia, accelerate the production speed of motorcycle tires in Taiwan and expand the production line in Tianjin, so that the Company will be able to meet the demand for various products in order to achieve a stable growth in the Group's turnover and profit.

Overall, it is important for the Company to strengthen occupational health and safety management in response to the government's policy on epidemic prevention and adjustment as the COVID-19 is becoming common in our daily life. The Company aims to improve quality and maintain stable productivity by continuously promoting Productivity 4.0 and MES production control system. In terms of research and development, in addition to the R&D global headquarters opened in 2020, the Company continues to expand the Group's R&D team and integrate the resources in the US R&D center and the European R&D center to enhance the R&D capacity by adopting industry-government-university programs in order to offer more tires with better cost performance. Meanwhile, the Company will expand the business scope in North America and Europe and expand the market share in Eastern Europe with the diversified marketing network

provided by its sales subsidiaries in Europe and the US. Finally, the urban development project in Shenzhen Jiantai factory is expected to contribute greatly to the Company's overall operating performance. The Company expects that the Company will be able to meet the expectations of its shareholders by successfully implementing the above-mentioned projects. 2022 is also the 60th anniversary of the Company's establishment. With the business philosophy of "integrity, quality, service and innovation," we are looking forward to working together with our shareholders and related parties to "create the future by joining hands for 60 years and more."

# The 2021 Business Report

## (1) Results of the 2021 Business Plan Implementation

1. Production and Sales:

In thousand units; %

| Year / Product | Production in 2021 | Sales in 2021 | Sales in 2020 | Percentage of increase/decrease (%) |
|---|---|---|---|---|
| Bicycle tires | 52,869 | 36,536 | 43,153 | -15.33 |
| Tires for motorbikes and other bias tires | 30,194 | 29,905 | 34,597 | -13.56 |
| Radial tires | 8,435 | 4,561 | 5,878 | -22.41 |
| Inner tube | 99,904 | 71,837 | 80,229 | -10.46 |

2. Operational Status:

Consolidated

Unit: NTD Thousand; %

| Year / Item | 2021 | 2020 | Percentage of increase/decrease (%) |
|---|---|---|---|
| Net operating income | 34,896,128 | 30,260,185 | 15.32% |
| Operating cost | 27,746,346 | 22,910,212 | 21.11% |
| Operating expenses | 5,406,907 | 4,876,452 | 10.88% |
| Profit from operations | 1,741,027 | 1,535,939 | 13.35% |
| Profit after tax | 917,933 | 972,225 | -5.58% |

Standalone

Unit: NTD Thousand; %

| Year / Item | 2021 | 2020 | Percentage of increase/decrease (%) |
|---|---|---|---|
| Net operating income | 5,998,964 | 5,946,286 | 0.89% |
| Operating cost | 4,496,441 | 3,993,110 | 12.60% |
| Operating expenses | 1,256,166 | 1,185,245 | 5.98% |
| Profit from operations | 351,808 | 744,618 | -52.75% |
| Profit after tax | 917,933 | 972,225 | -5.58% |

## (2) Budget implementation

The Company's actual revenues for the year 2021 were NT$34.896 billion, representing an achievement of 95.93% compared to the forecasted target of NT$36.378 billion for the year 2021.

(3) Analysis of receipts, expenditures, and profitability

Consolidated

Unit: NTD Thousand

| Item | Year | 2021 | 2020 | Increase (decrease) % |
|---|---|---|---|---|
| Receipts and expenditures | Operating income | 34,896,128 | 30,260,185 | 15.32% |
| | Gross profit | 7,149,782 | 7,349,973 | -2.72% |
| | Profit after tax | 917,933 | 972,225 | -5.58% |
| Profitability (%) Analysis | Ratio of Return on Total Assets (%) | 2.38 | 2.69 | -11.52% |
| | Ratio of Return on Equity (%) | 4.85 | 5.13 | -5.46% |
| | Ratio of income before tax to paid-in capital (%) | 18.51 | 14.20 | 30.35% |
| | Profit ratio (%) | 2.63 | 3.21 | -18.07% |
| | Earnings per share (NT$) | 1.01 | 1.07 | -5.61% |

Standalone

Unit: NTD Thousand

| Item | Year | 2021 | 2020 | Increase (decrease) % |
|---|---|---|---|---|
| Receipts and expenditures | Operating income | 5,998,964 | 5,946,286 | 0.89% |
| | Gross profit | 1,502,523 | 1,929,863 | -22.14% |
| | Profit after tax | 917,933 | 972,225 | -5.58% |
| Profitability (%) Analysis | Ratio of Return on Total Assets (%) | 2.97 | 3.19 | -6.90% |
| | Ratio of Return on Equity (%) | 4.85 | 5.13 | -5.46% |
| | Ratio of income before tax to paid-in capital (%) | 15.20 | 12.92 | 17.65% |
| | Profit ratio (%) | 15.30 | 16.35 | -6.42% |
| | Earnings per share (NT$) | 1.01 | 1.07 | -5.61% |

Chairman: Yang, Chi-Jen Manager: Chen, Chao-Jung Accounting Supervisor: Liu, Kuei-Chun

[Attachment 2]

# Audit Committee's Audit Report

The Board of Directors has prepared and submitted the Company's 2021 annual business report, financial statements and profit distribution proposal. The financial statements have been audited and attested by CPA Wang, Yi-Wen and CPA Tseng, Tung-Yun from Deloitte Taiwan. An Independent's audit report has been issued. The above-mentioned business report, financial statements and proposal for earnings distribution have been audited by the Audit Committee and found to be in order; therefore, we hereby report the above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for your review.

To

The 2021 Regular Shareholders Meeting

Kenda Rubber Ind. Co., Ltd.

Convener of the Audit Committee: HSIEH, CHUN-MOU

March 23, 2022

[Attachment 3]

# KENDA RUBBER IND. CO., LTD.

**DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The entities that are required to be included in the combined financial statements of Kenda Rubber Ind. Co., Ltd. as of and for the year ended December 31, 2021, under the "Criteria Governing 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 No. 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, Kenda Rubber Ind. Co., Ltd. and subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

KENDA RUBBER IND. CO., LTD.

By

YANG, CHI-JEN 

March 23, 2022

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Kenda Rubber Ind. Co., Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of Kenda Rubber Ind. Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. 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.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2021 is stated as follows:

Appropriateness of the Revenue Cutoff

The Group has worldwide sales network, and the terms of sales are different by customer or geography. Revenue is recognized when performance obligations are satisfied by the transfer of the promised goods to customers but the timing of the transfer may be based on the time of actual delivery or on the time of actual receipt of the goods. The Group's revenue recognition process involves manual inspection of relevant documents, or an estimate of arrival time of the goods shipped to customers based on historical experience to determine the timing of the transfer of control of the promised goods to customers. Therefore, mistakes may occur in the evaluation process, and revenue could be recorded in the incorrect reporting period.

The main audit procedures that we performed in respect of the cutoff of revenue recognition included the following:

1. We obtained an understanding of and reviewed the sales contracts and the terms between the Group and its customers to identify the appropriate point of revenue recognition.

2. We obtained an understanding of and evaluated the process and related controls over revenue recognition.

3. We performed cutoff testing procedures covering a certain period before and after the balance sheet date and examined relevant supporting documents to determine that revenue was recognized in the correct reporting period, as evidenced by sales terms.

**Other Matter**

We have also audited the parent company only financial statements of Kenda Rubber Ind. Co., Ltd. as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

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

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

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of 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 communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021, and are therefore the key audit matters. We describe the matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yi-Wen Wang and Done-Yuin Tseng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2022

*Notice to Readers*

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

## KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**
**DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars)**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | $ 5,952,782 | 13 | $ 8,485,408 | 20 |
| Financial assets at fair value through profit or loss - current | 1,832 | - | 973 | - |
| Notes receivable, net (Note 8) | 281,596 | 1 | 430,967 | 1 |
| Trade receivable, net (Notes 8, 24 and 25) | 3,680,318 | 8 | 3,413,863 | 8 |
| Inventories (Notes 9 and 25) | 12,564,442 | 27 | 7,689,491 | 18 |
| Prepayments | 579,919 | 1 | 409,003 | 1 |
| Other financial assets - current (Notes 10 and 25) | 1,952,874 | 4 | 1,840,620 | 4 |
| Other current assets | 405,940 | 1 | 302,148 | 1 |
| Total current assets | 25,419,703 | 55 | 22,572,473 | 53 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Note 7) | 479,634 | 1 | 578,419 | 1 |
| Investments accounted for using the equity method | 105,629 | - | 102,320 | - |
| Property, plant and equipment (Notes 12 and 25) | 14,732,010 | 32 | 14,543,978 | 34 |
| Right-of-use assets (Note 13) | 1,537,134 | 3 | 1,534,070 | 4 |
| Investment properties (Note 14) | 27,329 | - | 29,186 | - |
| Deferred tax assets (Note 20) | 749,812 | 2 | 613,084 | 2 |
| Other financial assets - non-current (Note 10) | 2,019,698 | 4 | 1,268,181 | 3 |
| Other non-current assets (Notes 10 and 12) | 1,265,125 | 3 | 1,148,328 | 3 |
| Total non-current assets | 20,916,371 | 45 | 19,817,566 | 47 |
| TOTAL | $ 46,336,074 | 100 | $ 42,390,039 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Note 15) | $ 3,746,955 | 8 | $ 2,399,948 | 6 |
| Contract liabilities - current (Note 18) | 296,766 | 1 | 273,652 | 1 |
| Notes payable | 142,511 | - | 41,116 | - |
| Trade payable (Note 24) | 4,034,847 | 9 | 2,725,960 | 7 |
| Lease liabilities - current (Note 13) | 96,400 | - | 88,484 | - |
| Other payables (Note 24) | 1,812,902 | 4 | 1,695,073 | 4 |
| Current tax liabilities | 64,399 | - | 167,673 | - |
| Current portion of long-term borrowings (Note 15) | 1,635,081 | 4 | 2,517,453 | 6 |
| Other current liabilities (Note 18) | 112,178 | - | 129,160 | - |
| Total current liabilities | 11,942,039 | 26 | 10,038,519 | 24 |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings (Note 15) | 13,816,068 | 30 | 11,844,336 | 28 |
| Deferred tax liabilities (Note 20) | 742,557 | 2 | 316,927 | 1 |
| Lease liabilities - non-current (Note 13) | 408,613 | 1 | 363,273 | 1 |
| Net defined benefit liabilities (Note 16) | 215,824 | - | 254,583 | - |
| Other non-current liabilities (Note 14) | 473,185 | 1 | 462,674 | 1 |
| Total non-current liabilities | 15,656,247 | 34 | 13,241,793 | 31 |
| Total liabilities | 27,598,286 | 60 | 23,280,312 | 55 |
| EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Note 17) | | | | |
| Share capital | 9,094,100 | 19 | 9,094,100 | 22 |
| Capital surplus | 41 | - | 41 | - |
| Retained earnings | | | | |
| Legal reserve | 3,308,030 | 7 | 3,213,262 | 7 |
| Special reserve | 1,601,002 | 3 | 1,330,054 | 3 |
| Unappropriated earnings | 6,705,592 | 15 | 7,073,254 | 17 |
| Total retained earnings | 11,614,624 | 25 | 11,616,570 | 27 |
| Other equity | (1,970,995) | (4) | (1,601,002) | (4) |
| Equity attributable to shareholders of the parent | 18,737,770 | 40 | 19,109,709 | 45 |
| NON-CONTROLLING INTERESTS | 18 | - | 18 | - |
| Total equity | 18,737,788 | 40 | 19,109,727 | 45 |
| TOTAL | $ 46,336,074 | 100 | $ 42,390,039 | 100 |

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

# KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| NET REVENUE (Notes 18 and 24) | $ 34,896,128 | 100 | $ 30,260,185 | 100 |
| COST OF REVENUE (Notes 9, 19 and 24) | 27,746,346 | 80 | 22,910,212 | 76 |
| GROSS PROFIT | 7,149,782 | 20 | 7,349,973 | 24 |
| OPERATING EXPENSES (Notes 19 and 24) | | | | |
| Selling and marketing expenses | 2,638,727 | 7 | 2,304,290 | 8 |
| General and administrative expenses | 1,306,051 | 4 | 1,216,493 | 4 |
| Research and development expenses | 1,451,484 | 4 | 1,326,430 | 4 |
| Expected credit loss (Note 8) | 10,645 | - | 29,239 | - |
| Total operating expenses | 5,406,907 | 15 | 4,876,452 | 16 |
| OTHER OPERATING INCOME AND EXPENSES (Note 19) | (1,848) | - | (937,582) | (3) |
| INCOME FROM OPERATIONS | 1,741,027 | 5 | 1,535,939 | 5 |
| NON-OPERATING INCOME AND EXPENSES (Notes 19 and 24) | | | | |
| Interest income | 121,275 | - | 108,171 | - |
| Other income | 247,154 | 1 | 250,339 | 1 |
| Other gains and losses | (239,446) | (1) | (363,884) | (1) |
| Finance costs | (187,121) | - | (241,442) | (1) |
| Share of profit of associates | 211 | - | 2,340 | - |
| Total non-operating income and expenses | (57,927) | - | (244,476) | (1) |
| PROFIT BEFORE INCOME TAX | 1,683,100 | 5 | 1,291,463 | 4 |
| INCOME TAX EXPENSE (Note 20) | (765,167) | (2) | (319,238) | (1) |
| NET PROFIT FOR THE YEAR | 917,933 | 3 | 972,225 | 3 |

(Continued)

# KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 16 and 20) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans | $ (13,023) | - | $ (29,832) | - |
| Unrealized gain on investments in equity instruments at fair value through other comprehensive income | (92,452) | - | 73,938 | - |
| Income tax related to items that will not be reclassified subsequently to profit or loss | 2,554 | - | 5,286 | - |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of the financial statements of foreign operations | (346,926) | (1) | (431,107) | (1) |
| Income tax related to items that may be reclassified subsequently to profit or loss | 69,385 | - | 86,221 | - |
| Other comprehensive loss for the year, net of income tax | (380,462) | (1) | (295,494) | (1) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | $ 537,471 | 2 | $ 676,731 | 2 |
| NET INCOME (LOSS) ATTRIBUTABLE TO: | | | | |
| Shareholders of the Company | $ 917,933 | 3 | $ 972,225 | 3 |
| Non-controlling interests | - | - | - | - |
| | $ 917,933 | 3 | $ 972,225 | 3 |
| TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO: | | | | |
| Shareholders of the Company | $ 537,471 | 2 | $ 676,731 | 2 |
| Non-controlling interests | - | - | - | - |
| | $ 537,471 | 2 | $ 676,731 | 2 |
| EARNINGS PER SHARE (Note 21) | | | | |
| Basic | $ 1.01 | | $ 1.07 | |
| Diluted | $ 1.01 | | $ 1.07 | |

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

## KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

| | Equity Attributable to Shareholders of the Parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retained Earnings (Note 17) | | | Other Equity | | | | |
| | Share Capital (Note 17) | Capital Surplus (Note 17) | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translation of the Financial Statements of Foreign Operations | Unrealized Valuation Gain on Financial Assets at Fair Value Through Other Comprehensive Income | Total | Non-controlling Interests | Total Equity |
| BALANCE AT JANUARY 1, 2020 | $ 8,744,300 | $ 41 | $ 3,113,042 | $ 968,955 | $ 7,286,466 | $ (1,697,361) | $ 367,307 | $ 18,782,750 | $ 18 | $ 18,782,768 |
| Appropriations of 2019 earnings | | | | | | | | | | |
| Legal reserve | - | - | 100,220 | - | (100,220) | - | - | - | - | - |
| Special reserve | - | - | - | 361,099 | (361,099) | - | - | - | - | - |
| Cash dividends to shareholders - NT$0.4 per share | - | - | - | - | (349,772) | - | - | (349,772) | - | (349,772) |
| Share dividends to shareholders - NT$0.4 per share | 349,800 | - | - | - | (349,800) | - | - | - | - | - |
| Net income for the year ended December 31, 2020 | - | - | - | - | 972,225 | - | - | 972,225 | - | 972,225 |
| Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax | - | - | - | - | (24,546) | (344,886) | 73,938 | (295,494) | - | (295,494) |
| Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | 947,679 | (344,886) | 73,938 | 676,731 | - | 676,731 |
| BALANCE AT DECEMBER 31, 2020 | 9,094,100 | 41 | 3,213,262 | 1,330,054 | 7,073,254 | (2,042,247) | 441,245 | 19,109,709 | 18 | 19,109,727 |
| Appropriations of 2020 earnings | | | | | | | | | | |
| Legal reserve | - | - | 94,768 | - | (94,768) | - | - | - | - | - |
| Special reserve | - | - | - | 270,948 | (270,948) | - | - | - | - | - |
| Cash dividends to shareholders - NT$1.00 per share | - | - | - | - | (909,410) | - | - | (909,410) | - | (909,410) |
| Net profit for the year ended December 31, 2021 | - | - | - | - | 917,933 | - | - | 917,933 | - | 917,933 |
| Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax | - | - | - | - | (10,469) | (277,541) | (92,452) | (380,462) | - | (380,462) |
| Total comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | 907,464 | (277,541) | (92,452) | 537,471 | - | 537,471 |
| BALANCE AT DECEMBER 31, 2021 | $ 9,094,100 | $ 41 | $ 3,308,030 | $ 1,601,002 | $ 6,705,592 | $ (2,319,788) | $ 348,793 | $ 18,737,770 | $ 18 | $ 18,737,788 |

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

# KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars)**

| | 2021 | 2020 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | $ 1,683,100 | $ 1,291,463 |
| Adjustments for: | | |
| Depreciation expense | 1,538,515 | 1,469,596 |
| Amortization expense | 23,617 | 23,697 |
| Expected credit loss | 10,645 | 29,239 |
| Net (gain) loss on fair value changes of financial assets and liabilities at fair value through profit or loss | (859) | 46 |
| Finance costs | 187,121 | 241,442 |
| Interest income | (121,275) | (108,171) |
| Dividend income | (73,736) | (53,483) |
| Share of profit of associates | (211) | (2,340) |
| Net (gain) loss on disposal of property, plant and equipment | (15,069) | 38,003 |
| Write-down (reversal of write-down) of inventories | 107,788 | (23,933) |
| Impairment loss recognized on property, plant and equipment | - | 16,040 |
| Net loss on foreign currency exchange | 378,339 | 705,350 |
| Changes in operating assets and liabilities | | |
| Notes receivable | 149,371 | (115,209) |
| Trade receivable | (661,675) | (429,009) |
| Other receivables | (101,992) | (33,032) |
| Inventories | (5,036,739) | (42,328) |
| Prepayments | (167,432) | 103,556 |
| Other current assets | (55,685) | (3,601) |
| Other non-current assets | 77,709 | 140,948 |
| Contract liabilities | 23,114 | 53,049 |
| Notes payable | 101,395 | (118,736) |
| Trade payable | 1,308,887 | 169,899 |
| Other payables | 85,535 | 128,638 |
| Other current liabilities | (16,982) | 13,610 |
| Net defined benefit liabilities | (49,228) | (26,823) |
| Cash (used in) generated from operations | (625,747) | 3,467,911 |
| Interest received | 108,063 | 111,704 |
| Dividends received | 73,736 | 53,483 |
| Interest paid | (184,864) | (244,155) |
| Income tax paid | (512,462) | (599,764) |
| Net cash (used in) generated from operating activities | (1,141,274) | 2,789,179 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Return of capital from financial assets at fair value through other comprehensive income | 3,410 | 3,942 |
| Increase in investments accounted for using the equity method | - | (33,733) |
| Payments for property, plant and equipment | (659,640) | (539,276) |
| Proceeds from disposal of property, plant and equipment | 158,028 | 23,808 |
| Decrease (increase) in refundable deposits | 2,516 | (48,529) |

(Continued)

# KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars)**

| | 2021 | 2020 |
|---|---|---|
| Payments for intangible assets | $ (10,682) | $ (11,075) |
| Decrease (increase) in other financial assets | (952,162) | 61,535 |
| Increase in prepayments for equipment | (1,457,148) | (800,969) |
| Net cash used in investing activities | (2,915,678) | (1,344,297) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in short-term borrowings | 1,498,856 | 75,347 |
| Proceeds from long-term borrowings | 9,224,304 | 3,995,525 |
| Repayments of long-term borrowings | (8,030,580) | (3,958,700) |
| Proceeds from guarantee deposits received | 12,976 | 7,641 |
| Repayment of the principal portion of lease liabilities | (98,669) | (90,763) |
| Cash dividends | (909,410) | (349,772) |
| Net cash generated from (used in) financing activities | 1,697,477 | (320,722) |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | (173,151) | (265,261) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (2,532,626) | 858,899 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 8,485,408 | 7,626,509 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 5,952,782 | $ 8,485,408 |

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

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders
Kenda Rubber Ind. Co., Ltd.

**Opinion**

We have audited the accompanying financial statements of Kenda Rubber Ind. Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company's financial statements for the year ended December 31, 2021 is stated as follows:

Appropriateness of the Revenue Cutoff

The Company has worldwide sales network, and the terms of sales are different by customer or geography. Revenue is recognized when performance obligations are satisfied by the transfer of the promised goods to customers but the timing of the transfer may be based on the time of actual delivery or on the time of actual receipt of the goods. The Company's revenue recognition process involves manual inspection of relevant documents, or an estimate of arrival time of the goods shipped to customers based on historical experience to determine timing of the transfer of control of the promised goods to customers. Therefore, mistakes may occur in the evaluation process, and revenue could be recorded in the incorrect reporting period.

The main audit procedures that we performed in respect of the cutoff of revenue recognition included the following:

1. We obtained an understanding of and reviewed the sales contracts and the terms between the Company and its customers to identify the appropriate point of revenue recognition.

2. We obtained an understanding of and evaluated the process and related controls over revenue recognition.

3. We performed cutoff testing procedures covering a certain period before and after the balance sheet date and examined relevant supporting documents to determine that revenue was recognized in the correct reporting period, as evidenced by sales terms.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021, and are therefore the key audit matters. We describe the matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yi Wen Wang and Done Yuin Tseng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2022

*Notice to Readers*

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

## KENDA RUBBER IND. CO., LTD.

**BALANCE SHEETS**
**DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars)**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | $ 872,097 | 3 | $ 1,393,602 | 4 |
| Financial assets at fair value through profit or loss - current (Note 7) | 1,832 | - | 973 | - |
| Notes receivable (Note 9) | 23,910 | - | 22,802 | - |
| Trade receivable from unrelated parties (Note 9) | 381,604 | 1 | 292,808 | 1 |
| Trade receivable from related parties (Notes 9 and 24) | 1,240,009 | 4 | 929,378 | 3 |
| Other receivables (Note 24) | 89,331 | - | 270,429 | 1 |
| Inventories (Note 10) | 1,104,522 | 3 | 852,900 | 2 |
| Other current assets | 37,883 | - | 16,686 | - |
| Total current assets | 3,751,188 | 11 | 3,779,578 | 11 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Note 8) | 411,980 | 1 | 451,523 | 1 |
| Investments accounted for using the equity method (Note 11) | 24,128,820 | 71 | 23,531,238 | 70 |
| Property, plant and equipment (Notes 12 and 24) | 3,907,199 | 11 | 4,031,537 | 12 |
| Right-of-use assets (Notes 13 and 24) | 16,889 | - | 21,955 | - |
| Deferred tax assets (Note 20) | 465,259 | 1 | 419,743 | 1 |
| Other financial assets - non-current (Note 14) | 1,194,935 | 4 | 1,268,181 | 4 |
| Other non-current assets | 211,328 | 1 | 166,044 | 1 |
| Total non-current assets | 30,336,410 | 89 | 29,890,221 | 89 |
| TOTAL | $ 34,087,598 | 100 | $ 33,669,799 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Note 15) | $ 200,000 | 1 | $ 200,000 | 1 |
| Contract liabilities - current (Note 18) | 137,263 | - | 24,316 | - |
| Notes payable | 215 | - | 685 | - |
| Trade payable (Note 24) | 477,566 | 1 | 376,963 | 1 |
| Other payables (Note 24) | 456,893 | 1 | 470,432 | 2 |
| Current tax liabilities (Note 20) | - | - | 95,441 | - |
| Lease liabilities - current (Notes 13 and 24) | 5,141 | - | 5,141 | - |
| Current portion of long-term borrowings (Note 15) | 1,575,466 | 5 | 1,795,070 | 5 |
| Other current liabilities (Note 18) | 17,904 | - | 14,422 | - |
| Total current liabilities | 2,870,448 | 8 | 2,982,470 | 9 |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings (Note 15) | 11,663,715 | 34 | 11,093,789 | 33 |
| Deferred tax liabilities (Note 20) | 598,608 | 2 | 216,190 | - |
| Lease liabilities - non-current (Notes 13 and 24) | 11,837 | - | 16,843 | - |
| Net defined benefit liabilities - non-current (Note 16) | 205,220 | 1 | 244,791 | 1 |
| Other non-current liabilities | - | - | 6,007 | - |
| Total non-current liabilities | 12,479,380 | 37 | 11,577,620 | 34 |
| Total liabilities | 15,349,828 | 45 | 14,560,090 | 43 |
| EQUITY | | | | |
| Share capital | 9,094,100 | 27 | 9,094,100 | 27 |
| Capital surplus | 41 | - | 41 | - |
| Retained earnings | | | | |
| Legal reserve | 3,308,030 | 10 | 3,213,262 | 10 |
| Special reserve | 1,601,002 | 5 | 1,330,054 | 4 |
| Unappropriated earnings | 6,705,592 | 19 | 7,073,254 | 21 |
| Other equity | (1,970,995) | (6) | (1,601,002) | (5) |
| Total equity | 18,737,770 | 55 | 19,109,709 | 57 |
| TOTAL | $ 34,087,598 | 100 | $ 33,669,799 | 100 |

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

# KENDA RUBBER IND. CO., LTD.

**STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| NET REVENUE (Notes 18 and 24) | $ 5,998,964 | 100 | $ 5,946,286 | 100 |
| COST OF REVENUE (Notes 10, 19 and 24) | 4,496,441 | 75 | 3,993,110 | 67 |
| GROSS PROFIT | 1,502,523 | 25 | 1,953,176 | 33 |
| REALIZED (UNREALIZED) PROFIT ON INTERCOMPANY REVENUE | 105,451 | 2 | (23,313) | - |
| REALIZED GROSS PROFIT | 1,607,974 | 27 | 1,929,863 | 33 |
| OPERATING EXPENSES (Notes 19 and 24) | | | | |
| Selling and marketing expenses | 657,135 | 11 | 595,528 | 10 |
| General and administrative expenses | 192,407 | 3 | 193,162 | 3 |
| Research and development expenses | 406,751 | 7 | 390,596 | 7 |
| Expected credit loss (gain) (Note 9) | (127) | - | 5,959 | - |
| Total operating expenses | 1,256,166 | 21 | 1,185,245 | 20 |
| INCOME FROM OPERATIONS | 351,808 | 6 | 744,618 | 13 |
| NON-OPERATING INCOME AND EXPENSES (Notes 19 and 24) | | | | |
| Interest income | 10,106 | - | 7,947 | - |
| Other income | 96,008 | 2 | 98,279 | 2 |
| Other gains and losses | (63,200) | (1) | (149,814) | (3) |
| Finance costs | (111,071) | (2) | (120,940) | (2) |
| Share of profit of subsidiaries (Note 11) | 1,098,625 | 18 | 595,287 | 10 |
| Total non-operating income and expenses | 1,030,468 | 17 | 430,759 | 7 |
| PROFIT BEFORE INCOME TAX | 1,382,276 | 23 | 1,175,377 | 20 |
| INCOME TAX EXPENSE (Note 20) | 464,343 | 8 | 203,152 | 4 |
| NET PROFIT FOR THE YEAR | 917,933 | 15 | 972,225 | 16 |

(Continued)

# KENDA RUBBER IND. CO., LTD.

**STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans (Note 16) | $ (12,769) | - | $ (26,430) | - |
| Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income | (36,133) | (1) | 62,030 | 1 |
| Share of other comprehensive income (loss) of subsidiaries | (56,573) | (1) | 8,506 | - |
| Income tax related to items that will not be reclassified subsequently to profit or loss (Note 20) | 2,554 | - | 5,286 | - |
| | (102,921) | (2) | 49,392 | 1 |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of the financial statements of foreign operations | (346,926) | (5) | (431,107) | (7) |
| Income tax related to items that may be reclassified subsequently to profit or loss (Note 20) | 69,385 | 1 | 86,221 | 1 |
| | (277,541) | (4) | (344,886) | (6) |
| Other comprehensive loss for the year, net of income tax | (380,462) | (6) | (295,494) | (5) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | $ 537,471 | 9 | $ 676,731 | 11 |
| EARNINGS PER SHARE (Note 21) | | | | |
| Basic | $ 1.01 | | $ 1.07 | |
| Diluted | $ 1.01 | | $ 1.07 | |

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

**KENDA RUBBER IND. CO., LTD.**

**STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

| | | | Retained Earnings (Note 17) | | | Other Equity | | |
|---|---|---|---|---|---|---|---|---|
| | Capital Stock (Note 17) | Share Surplus (Note 17) | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translation of The Financial Statements of Foreign Operations | Unrealized Valuation Gain on Financial Assets at Fair Value Through Other Comprehensive Income | Total Equity |
| BALANCE AT JANUARY 1, 2020 | $ 8,744,300 | $ 41 | $ 3,113,042 | $ 968,955 | $ 7,286,466 | $ (1,697,361) | $ 367,307 | $ 18,782,750 |
| Appropriation of 2019 earnings | | | | | | | | |
| Legal reserve | - | - | 100,220 | - | (100,220) | - | - | - |
| Special reserve | - | - | - | 361,099 | (361,099) | - | - | - |
| Cash dividends to shareholders - NT$0.4 per share | - | - | - | - | (349,772) | - | - | (349,772) |
| Share dividends to shareholders - NT$0.4 per share | 349,800 | - | - | - | (349,800) | - | - | - |
| Net profit for the year ended December 31, 2020 | - | - | - | - | 972,225 | - | - | 972,225 |
| Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax | - | - | - | - | (24,546) | (344,886) | 73,938 | (295,494) |
| Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | 947,679 | (344,886) | 73,938 | 676,731 |
| BALANCE AT DECEMBER 31, 2020 | 9,094,100 | 41 | 3,213,262 | 1,330,054 | 7,073,254 | (2,042,247) | 441,245 | 19,109,709 |
| Appropriation of 2020 earnings | | | | | | | | |
| Legal reserve | - | - | 94,768 | - | (94,768) | - | - | - |
| Special reserve | - | - | - | 270,948 | (270,948) | - | - | - |
| Cash dividends to shareholders - NT$1.0 per share | - | - | - | - | (909,410) | - | - | (909,410) |
| Net profit for the year ended December 31, 2021 | - | - | - | - | 917,933 | - | - | 917,933 |
| Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax | - | - | - | - | (10,469) | (277,541) | (92,452) | (380,462) |
| Total comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | 907,464 | (277,541) | (92,452) | 537,471 |
| BALANCE AT DECEMBER 31, 2021 | $ 9,094,100 | $ 41 | $ 3,308,030 | $ 1,601,002 | $ 6,705,592 | $ (2,319,788) | $ 348,793 | $ 18,737,770 |

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

# KENDA RUBBER IND. CO., LTD.

**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars)**

| | 2021 | 2020 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | $ 1,382,276 | $ 1,175,377 |
| Adjustments for | | |
| Depreciation expense | 299,335 | 302,935 |
| Amortization expense | 14,434 | 15,002 |
| Expected credit loss recognized (reversed) on trade receivables | (127) | 5,959 |
| Net loss (gain) on fair value changes of financial assets at fair value through profit or loss | (858) | 46 |
| Finance costs | 111,071 | 120,940 |
| Interest income | (10,106) | (7,947) |
| Dividend income | (24,270) | (36,402) |
| Share of profit of subsidiaries | (1,098,625) | (595,287) |
| Net gain on disposal of property, plant and equipment | (5,257) | (310) |
| Reversal of write-down of inventories | (7,132) | (14,872) |
| Realized (unrealized) profit on intercompany revenue | (105,451) | 23,313 |
| Net loss on foreign currency exchange | 4,601 | 23,568 |
| Transfer of prepayments for equipment to expenses | 7,664 | 18,587 |
| Changes in operating assets and liabilities | | |
| Notes receivable | (1,108) | (12,216) |
| Trade receivable | (405,843) | 61,806 |
| Other receivables | 181,810 | 850,326 |
| Inventories | (244,490) | (46,510) |
| Prepayments | (6,758) | 7,140 |
| Other current assets | (18,370) | 2,203 |
| Other non-current assets | - | (5,029) |
| Contract liabilities | 112,947 | 15,039 |
| Notes payable | (470) | (318) |
| Trade payable | 101,174 | 40,218 |
| Other payables | (11,189) | 33,440 |
| Other current liabilities | 3,482 | 1,022 |
| Net defined benefit liabilities | (52,340) | (29,826) |
| Cash generated from operations | 226,400 | 1,948,204 |
| Interest received | 9,688 | 8,653 |
| Dividends received | 227,265 | 1,528,753 |
| Interest paid | (109,632) | (119,498) |
| Income tax paid | (147,012) | (373,513) |
| Net cash generated from operating activities | 206,709 | 2,992,599 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Return of capital from financial assets at fair value through other comprehensive income | 3,410 | 3,942 |
| Payments for property, plant and equipment | (54,002) | (42,732) |
| Proceeds from disposal of property, plant and equipment | 64,042 | 9,040 |
| Decrease (increase) in refundable deposits | 360 | (340) |

(Continued)

# KENDA RUBBER IND. CO., LTD.

**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars)**

| | 2021 | 2020 |
|---|---|---|
| Payments for intangible assets | $ (9,657) | $ (9,083) |
| Decrease (increase) in other financial assets | 73,246 | (1,268,181) |
| Increase in prepayments for equipment | (233,656) | (178,486) |
| Net cash used in investing activities | (156,257) | (1,485,840) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of short-term borrowings | - | (150,000) |
| Proceeds from long-term borrowings | 8,421,036 | 3,779,686 |
| Repayments of long-term borrowings | (8,072,570) | (3,703,918) |
| Proceeds from (repayments of) guarantee deposits received | (6,007) | 5,957 |
| Repayment of the principal portion of lease liabilities | (5,006) | (1,660) |
| Cash dividends | (909,410) | (349,772) |
| Acquisition of subsidiaries | - | (347,157) |
| Net cash used in financing activities | (571,957) | (766,864) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (521,505) | 739,895 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 1,393,602 | 653,707 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 872,097 | $ 1,393,602 |

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

[Appendix 1]

# Article of Incorporation of Kenda Rubber Ind. Co., Ltd.

Resolved on August 31, 2021 at the Annual Meeting of Shareholders

**CHAPTER I General Provisions**

Article 1 The Company shall be incorporated, as a company limited by shares, under the Company Act of the Republic of China, and its name shall be 建大工業股份有限公司 in the Chinese language, and KENDA RUBBER IND. CO., LTD., in the English language.

Article 2 The scope of the business of the Company is as follows:

1. C804010 Tyres Manufacturing.
2. CD01050 Bicycles and Parts Manufacturing.
3. C805070 Reinforced Plastic Products Manufacturing.
4. CB01010 Mechanical Equipment Manufacturing.
5. F401010 International Trade.
6. F114030 Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories.
7. F114040 Wholesale of Bicycle and Component Parts Thereof.
8. F114050 Wholesale of Tires.
9. F214030 Retail Sale of Motor Vehicle Parts and Motorcycle Parts, Accessories.
10. F214040 Retail Sale of Bicycle and Component Parts Thereof.
11. F214050 Retail Sale of Tires.
12. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3 The total amount of the Company's reinvestment in other companies shall not be subject to the restriction of not more than forty percent of the Company's paid-up capital as provided in Article 13 of the Company Act.

Article 4 The Company is located in Changhua County, Taiwan, and may establish branches, offices or sales offices in Taiwan and abroad by resolution of the Board of Directors, if necessary.

Article 5 Any and all public announcements to be made by the Company shall comply with Article 28 of the Company Act.

Article 5-1 The Company may act as guarantor for the purposes of providing guarantees among the Associates.

**Chapter 2 Capital Stock**

Article 6 The total capital of the Company is set at NT$9,100 million, divided into 910 million shares at NT$10 each, of which the unissued shares are authorized to be issued by the Board of Directors in installments.

Article 7 The share certificates of the Company shall be in the form of name-bearing certificates,

shall be affixed with the signatures or personal seals of the director representing the Company, and shall be duly certified or authenticated by the bank which is competent to certify shares under the laws before the issuance thereof.

The Company may issue shares without printing share certificate(s), provided that the Company shall register the issued shares with a centralized securities depositary enterprise.

Article 8 All transfer of stocks, pledge of rights, loss, succession, gift, loss of seal, amendment of seal, change of address or similar stock transaction conducted by shareholders of the Company and exercising all the rights of the shareholders shall follow the "Regulations Governing the Administration of Shareholder Services of Public Companies" unless specified otherwise by law and securities regulations.

Article 9 No share shall be transferred within 60 days prior to the convening date of a regular shareholders' meeting, or within 30 days prior to the convening date of a special shareholders' meeting, or within 5 days prior to the record date fixed by the Company for distribution of dividends, bonus or other benefits.

**CHAPTER 3 Shareholders' Meeting**

Article 10 The Company has two kinds of shareholders' meetings: regular and special meetings. Regular meetings are held once a year, and shall be convened within six months after the close of the fiscal year with 30 days' notice to shareholders; special meetings shall be convened when necessary with 15 days' notice to shareholders.

The preceding notice shall indicate the date and venue and the cause(s) or subject(s) of a meeting of shareholders to be convened.

A shareholders' meeting shall, unless otherwise provided for in the Company Act, be convened by the Board of Directors.

Article 11 If a shareholder is unable to attend a shareholders' meeting for any reason, in addition to the provisions of Article 177 of the Company Act, the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" promulgated by the competent authority shall be followed.

Article 12 The chairman shall chair the shareholders' meeting. When the chairman of the board is on leave or is unable to perform the duties of the chairman, the vice chairman shall act in place of the chairman; if the vice chairman also is on leave or is unable to perform the duties of the vice chairman, the chairman shall appoint one of the directors to act as chair. Where the chairman does not make such a designation, the directors shall select from among themselves one person to serve as chair.

Article 13 Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company

Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.

Article 14 Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the company within twenty (20) days after the close of the meeting. The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. (The minutes shall be kept together with the attendance list bearing the signatures of shareholders present at the meeting and the powers of attorney of the proxies).

The preceding minutes shall be distributed in accordance with the provisions of the Companies Act.

**CHAPTER 4 The Board of Directors and Committees**

Article 15 The Company shall have seven to eleven Directors who shall be elected by the shareholders' meeting from among the persons with disposing capacity. All terms of office are for three years and the directors are eligible for re-election.

Of the preceding number of directors, at least three shall be independent directors; the election of directors shall be conducted by the candidate nomination system in accordance with Article 192 of the Company Act.

The election of independent directors and non-independent directors shall be held together; provided, however, that the number of independent directors and non-independent directors elected shall be calculated separately.

Matters regarding professional qualification, shareholdings, restrictions on concurrent positions held, method of nomination and election and other matters for compliance with respect to independent directors shall be subject to the regulations prescribed by the securities governing authorities.

The total registered shares owned by the directors of the Company are determined in accordance with the standards set forth in the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies" promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan.

Article 16 When the number of vacancies in the Board of Directors of a company equals one-third of the total number of directors, the Board of Directors shall call a special meeting of shareholders to elect succeeding directors to fill the vacancies. The new Directors shall

serve the remaining term of the predecessors

Article 17 The Board of Directors shall be constituted by the Directors and shall elect from among themselves a Chairman and a Deputy Chairman. The Chairman shall represent the Company externally. If the Chairman of the Board of Directors is unable to exercise his or her duties and responsibilities for any reason, the Vice Chairman shall act in place of the Chairman; if the Vice Chairman also is unable to excise his or her duties and responsibilities for any reason, the Chairman of the Board of Directors shall designate one of the Directors to act on his or her behalf, or if no such designation is made, the Directors shall elect one from among themselves to act as Chairman.

Article 17-1 The Board of Directors meeting of the Company shall be convened quarterly and the reasons for calling a Board of Directors meeting shall be notified to each director at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice.

The preceding notice of convening a meeting shall state the reason in writing, and may be made by electronic means such as email or facsimile.

Article 18 The Board of Directors' meeting shall be convened by the Chairman of the Board to determine the Company's business policies and other important matters. The Chairman of the Board shall be the Chair of the meeting; when the Chairman is absent, the provisions of the preceding Article shall apply. Other important matters referred to in the preceding paragraph include the acquisition and disposal of the Company's general assets and real estate, and the provision of guarantees for the associates.

Article 19 The resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors.

Each director shall attend the meeting of the Board of Directors in person. However, if the Director is unable to attend the meeting due to special circumstances, such director may designate another director to attend as a proxy. In case a meeting of the Board of Directors is proceeded via visual communication network, then the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.

In case a director appoints another director to attend a meeting of the Board of Directors in his/her behalf, he/she shall, in each time, issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting.

A director may accept the appointment to act as the proxy referred to in the preceding Paragraph of one other director only.

A director residing in a foreign country may appoint in writing a shareholder residing

domestically as his/her proxy to attend the meetings of the Board of Directors on a regular basis.

Article 20 The Company has established an Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act. The audit committee shall consist of all independent directors.

The number, term of office, powers and rules of procedure of the Audit Committee shall be in accordance with the Company's Audit Committee Charter.

Article 21 The Audit Committee or members of the Audit Committee are responsible for carrying out the powers conferred by the Company Act, the Securities and Exchange Act, any other law to be exercised by supervisors.

Article 22 The Directors of the Company shall be entitled to receive remuneration and allowances at such level as generally adopted by the enterprises of the same industry, no matter whether the Company is in a loss or not, as the shareholders may authorize the Board to determine the amount of such remuneration and allowances.

**CHAPTER 5 Managerial Personnel**

Article 23 The Company shall have one President and several Managers who shall be decided by a resolution to be adopted by a majority vote of the directors at a meeting of the Board of Directors attended by at least a majority of the entire directors of the company.

Article 24 The remuneration to the President and the Managers shall be decided by a resolution to be adopted by a majority vote of the directors at a meeting of the Board of Directors attended by at least a majority of the entire directors of the company.

Article 25 The President shall conduct the daily operations as ordered by the Chairman and by resolution of the Board of Directors for the Company.

**CHAPTER 6 Accounting**

Article 26 The Company's fiscal year shall commence on January 1 and end on December 31. At the close of each fiscal year, the Board of Directors shall prepare and submit the following statements to the general meeting for acceptance.

1. The business report.
2. Balance sheet.
3. Inventory of property.
4. Income statement.
5. Cash flow statement.
6. Statement of changes in shareholders' equity.
7. Proposals for earnings distribution and loss make-up.

Article 27 If there are any retained earnings in the year-end, the Company shall first pay tax and make up for the accumulated deficits, and then set aside 10% of such earnings as a legal reserve, unless the legal reserve has reached the Company's total capital. If necessary, the special reserve shall be set aside or reversed as required by law or by the competent authority.

The Company will take into account the environment and growth of the Company, its future capital requirements and long-term financial planning, as well as the shareholders' need for cash, and will propose by the Board of Directors, together with the accumulated undistributed earnings from the previous year, to set aside 10% to 80% of the available earnings for distribution. When new shares are issued, a resolution shall be submitted to the shareholders' meeting to distribute dividends to shareholders. However, the ratio of new shares to be issued for the earnings distribution may be adjusted by a resolution of the shareholders' meeting, depending on the actual profitability and capital position of the year; of which the cash dividends shall not be less than 10% of the total dividends. The Company authorizes the Board of Directors, with the presence of at least two-thirds of the Directors and a resolution of a majority of the Directors present, to distribute all or part of the dividends and bonuses, legal reserve and capital reserve in the form of cash and report the same to the shareholders' meeting.

Article 27-1 The Company shall distribute remuneration to its employees at a rate of not exceeding 0.5% of the profit for the year.

The Company shall distribute the Directors' remuneration not exceeding 3% of the profit for the year.

Where the Company has accumulated losses as provided in the preceding two paragraphs, an amount to cover the losses shall first be set aside.

Employees' remuneration may be paid in shares or in cash to employees of the Company and to employees of controlled or associated companies who meet certain requirements as determined by the Board of Directors.

The earnings for the year referred to in paragraphs 1 and 2 are the earnings before taxation for the year excluding the remuneration to employees and directors.

The distribution of remuneration to employees and directors shall be resolved by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

**CHAPTER 7 Supplemental Provisions**

Article 28 The Company's charter and operational regulations shall be separately adopted by the

Board of Directors.

Article 29 Matters not addressed by these Articles of Incorporation shall be governed by the Company Act and other applicable laws and regulations.

Article 30 These Articles of Incorporation were first adopted on March 1, 1962 and were first amended on March 20, 1966. The 2nd Amendment was made on March 26, 1967. The 3rd Amendment was made on December 30, 1967. The 4th Amendment was made on March 5, 1970. The 5th Amendment was made on October 22, 1973. The 6th Amendment was made on November 15, 1974. The 7th Amendment was made on November 15, 1975. The 8th Amendment was made on April 12, 1977. The 9th Amendment was made on July 15, 1978. The 10th Amendment was made on July 15, 1979. The 11th Amendment was made on June 15, 1980. The 12th Amendment was made on July 30, 1981. The 13th Amendment was made on June 17, 1984. The 14th Amendment was made on February 10, 1985. The 15th Amendment was made on May 25, 1986. The 16th Amendment was made on June 15, 1988. The 17th Amendment was made on June 30, 1988. The 18th Amendment was made on August 1, 1989. The 19th Amendment was made on March 20, 1990. The 20th Amendment was made on May 3, 1991. The 21st Amendment was made on May 16, 1992. The 22nd Amendment was made on May 4, 1993. The 23rd amendment was made on June 7, 1994. The 24th Amendment was made on June 15, 1995. The 25th Amendment was made on May 29, 1996. The 26th Amendment was made on May 23, 1997. The 27th Amendment was made on May 16, 1998. The 28th Amendment was made on May 23, 2000. The 29th Amendment was made on May 25, 2001. The 30th Amendment was made on June 11, 2002. The 31st Amendment was made on June 20, 2003. The 32nd Amendment on June 15, 2004. The 33rd Amendment was made on May 26, 2005. The 34th Amendment was made on June 14, 2006. The 35th Amendment was made on June 21, 2007. The 36th amendment was made on June 13, 2008. The 37th amendment was made on June 16, 2009. The 38th amendment was made on June 15, 2010. The 39th amendment was made on June 15, 2011. The 40th amendment was made on June 13, 2012. The 41st amendment was made on June 27, 2013. The 42nd amendment was made on June 24, 2014. The 43rd amendment was made on June 23, 2015. The 44th amendment was made on June 14, 2016. The 45th amendment was made on June 15, 2017. The 46th amendment was made on June 11, 2018. The 47th Amendment was made on June 11, 2019. The 48th Amendment was made on June 16, 2020, and the 49th Amendment was made on August 31, 2021. These Articles of Incorporation shall be effective as of the date of adoption by the shareholders' meeting.

[Appendix 2]

# Kenda Rubber Inc. Co., Ltd.'s "Rules of Procedures for Shareholders' meetings"

Resolved on August 31, 2021 at the Annual Meeting of Shareholders

Article 1 To establish a strong governance system and sound supervisory capabilities for the Company's shareholders' meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Article 2 The rules of procedures for the Company's shareholders' meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

Article 3 Unless otherwise provided by law or regulation, the Company's shareholders' meetings shall be convened by the Board of Directors.

The Company shall prepare electronic versions of the shareholders' meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders' meeting or before 15 days before the date of a special shareholders' meeting. The Company shall prepare electronic versions of the shareholders' meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders' meeting or before 15 days before the date of the special shareholders' meeting. In addition, before 15 days before the date of the shareholders' meeting, the Company shall also have prepared the shareholders' meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the shareholder services agent as well as being distributed on-site at the meeting place.

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

Election or dismissal of directors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation, or any matter under Article

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

Where re-election of all directors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders' meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.

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

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

Prior to the book closure date before a regular shareholders' meeting is held, the Company shall publicly announce its acceptance of shareholder proposals in writing or electronically, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

The number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred (300) words, and any proposal containing more than 300 words shall not be included in the meeting agenda. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular shareholders' meeting whereat his proposal is to be discussed and shall take part in the discussion of such proposal.

The Company shall, prior to preparing and delivering the shareholders' meeting notice, inform, by a notice, all the proposal submitting shareholders of the proposal screening results, and shall list in the shareholders' meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the Board of Directors at the shareholders' meeting to be convened.

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

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to the Company no later than five days prior to the date of the shareholders' meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

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

Article 5 The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.

Article 6 Shareholders and their proxies (collectively, "shareholders") shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.

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

Article 7 If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the directors to act as

chair. Where the chairperson does not make such a designation, the directors shall select from among themselves one person to serve as chair.

A meeting of the shareholders convened by the Board of Directors should be attended by a majority of the directors.

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

The Company may appoint its attorneys, certified public accountants, or related persons to attend the meeting in a non-voting capacity.

Article 8 The Company shall make an audio and video recording of the proceedings of the shareholders' meeting. The recorded materials shall be retained for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 9 Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

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

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

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

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

If the meeting of shareholders is convened by an authorized person other than the Board of Directors, the provision referred to above is applicable.

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

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

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

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

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

Attending shareholders may not interfere with the speaking shareholders without the Chairman's consent and the speaking shareholders. The Chairman will have the violating shareholders stopped.

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

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

Article 12 Voting at a shareholders' meeting shall be calculated based the number of shares.

The shares held by shareholders having no voting right shall not be counted in the total number of issued shares while adopting a resolution at a meeting of shareholders.

A shareholder who has a personal interest in the matter under discussion at a meeting, which may impair the interest of the Company, shall not vote nor exercise the voting right on behalf of another shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

Except for trust enterprises or stock agencies approved by the competent authority, when a person who acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of voting shares of the company, otherwise, the portion of excessive voting power shall not be counted.

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

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

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

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

For the resolution of proposals, unless otherwise provided in the Company Act and the Articles of Incorporation of the Company, the consent of a majority vote of the attending shareholders shall prevail.

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

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

Vote counting shall be conducted in public at the place of the shareholders' meeting. The outcome of a vote at the audit committee meeting shall be reported on the spot and be recorded accordingly.

Article 14 The election of directors or supervisors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and supervisors and the numbers of votes with which they were elected, and the names of directors and supervisors not elected and number of votes they received.

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

Article 15 Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the

conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.

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

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors or supervisors. The minutes shall be retained for the duration of the existence of the Company.

Article 16 On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders' meeting.

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

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

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

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

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

Article 18 When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the

shareholders' meeting may adopt a resolution to resume the meeting at another venue.

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

Article 19 These Rules shall take effect after having been submitted to and approved by a shareholders' meeting. Subsequent amendments thereto shall be effected in the same manner.

[Appendix 3]

# Procedures for Acquisition or Disposal of Assets of KENDA RUBBER IND. CO., LTD.

Resolved on June 11, 2019 at the Annual Meeting of Shareholders

1. To protect investors, information disclosure shall be implemented.

2. The Procedures shall apply to the acquisition or disposal of assets of the Company and each of its subsidiary.

3. Promulgation, amendment and discard of the Procedures shall be in accordance with the competent authority.

4. The Procedures are managed by the financial executive.

5. Source of law: The Company revised these Procedures in accordance with the regulations stipulated by the competent authority.

5.1 The term “assets” as used includes the following:

5.1.1 Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.

5.1.2 Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.

5.1.3 Memberships.

5.1.4 Patents, copyrights, trademarks, franchise rights, and other intangible assets.

5.1.5 Right-of-use assets.

5.1.6 Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).

5.1.7 Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.

The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

5.1.8 Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.

5.1.9 Other major assets.

5.2 Appraisal procedures:

5.2.1 When the Company acquires or disposes of any long-term/short-term securities or engages in any transaction of derivative products, the finance department shall perform an analysis of relevant return and evaluate possible risks. For any acquisition or disposal of real property, equipment, or right-of-use assets thereof, each division shall draft prior capital expenditure plan and perform feasibility evaluation about the purpose and expected return of the acquisition or disposal. If real property or right-of-use assets thereof is to be acquired from a related party, evaluation of the reasonableness of transactional conditions shall be performed in accordance with No. 5.9 to 5.12.3 of the Procedures.

5.2.2 When acquiring or disposing of securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements or other related information of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by

regulations of the Financial Supervisory Commission (FSC).

5.2.3 Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

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

5.2.5 When the Company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the audit committee to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it by the audit committee to the Board of Directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

5.2.6 The price determination manner and basis of reference for the Company's acquisition or disposal of assets shall, in addition to the professional price appraisal and opinions of relevant experts such as the accountant pursuant to the above provisions, be in compliance with the following:

1. For the acquisition or disposal of securities that are already traded on any

centralized trading market or over-the-counter trading center, the price shall be determined based on the price of the stock or bond at the time of trading.

2. For the acquisition or disposal of securities that are not traded on any centralized trading market or over-the-counter trading center, the price shall be determined in consideration of the net value per share, technical and profit-making capabilities, future development potential, market interest rate, face value interest rate of the bond and debtor's creditworthiness, etc. and also in reference to the latest closing price at that time.

3. For the acquisition or disposal of membership, the price shall be determined in consideration of the return that may be generated and in reference to the latest closing price at the time. For the acquisition or disposal of intangible assets or right-of-use assets thereof such as patent right, copyright, trademark right and license right, the price shall be determined in reference to international or market practice, remaining life and the impact on the Company's technology and business.

4. For the acquisition or disposal of real property or equipment, the price shall be determined in reference to the current value under public announcement, appraised current value, actual closing price or book value of real property in the vicinity and suppliers' price proposals. If the real property is purchased from a related party, calculation shall first be made in accordance with No. 5.9 to 5.12.3 of the Procedures hereof in order to evaluate whether the transaction price is reasonable.

5. Futures market conditions, exchange rate and interest rate fluctuations should be taken into account for the engagement of transactions of derivative products.

6. In performing a merger, demerger, acquisition or transfer of shares, the nature of business, net value per share, asset value, technical and profit-making capabilities, production capacity and future growth potential shall be taken into consideration.

5.2.7 The calculation of the transaction amounts referred to in No. 5.2.2, 5.2.3, and 5.2.4 of the Procedures shall be done in accordance with the provisions of No. 5.4.2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

5.3 Operating procedures:

5.3.1 Degree of authority delegated and levels to which authority is delegated:

1. Securities: The Chairman or President is authorized to conduct transactions within the limits set forth in No. 5.6 of the Procedures. Any transaction that meets the public announcement requirement under No. 5.4 of the Procedures shall be reported to the Chairman of the Board for approval on the following day and shall be submitted to the most recent Board of Directors for ratification. However, if the acquisition or disposal of stocks, bonds or private placements of securities that are not traded on any centralized trading market or over-the-counter trading center, and the transaction amount exceeds the public announcement requirement, the acquisition or disposal should be approved by the Board of Directors in advance. The Board of Directors shall be authorized by the shareholders' meeting to execute the two investments in Mainland China. These investments shall only be made after the Board of Directors has applied for approval from the Investment Commission of the Ministry of Economic Affairs.
2. Derivatives trading:
    A. Hedge trades: For transactions with a single or accumulated closed positions below USD 20 million (including the equivalent in other currencies) according to the change of position in accordance with the company's turnover and risk, the Chairman of the Board shall designate personnel to conduct such transactions; if the positions exceeds USD 20 million, the transaction shall be approved by the Chairman of the Board.

B. Non-Hedging Positions: In order to decrease the risk, any single or accumulated closed positions below USD 6 million (including the equivalent in other currencies) shall subject to approval by the Chairman of the Board and positions exceeding USD 6 million shall be subject to approval by the Board of Director before the relevant transaction may be performed.

C. The Bank needs to be informed by the delegated personnel in order to ensure that the Company's authorization is in line with the Bank's supervision and management.

D. The derivative transactions conducted under the aforesaid delegation shall be reported to the Chairman of the Board or the Board of Directors afterwards.

3. Related party transactions: The Company shall prepare the materials mentioned in No. 5.9 to 5.12.3 of the Procedures and submit them to the audit committee and the Board of Directors for approval before the transaction contract may be entered into and any payment made.

4. Merger, demerger, acquisition, or transfer of shares: The Company shall go through the relevant procedures and prepare relevant information in accordance with No. 5.18 to 5.23.3 of the Procedures, in which the merger, demerger, or acquisition shall be resolved by the shareholders' meeting. Provided, where a provision of another act exempts the Company from convening a shareholders' meeting to resolve the merger, demerger, or acquisition, this restriction shall not apply. The transfer of shares shall be subject to the approval of the Board of Directors.

5. Others: All transactions shall be carried out in accordance with the internal control system and the operating procedures stipulated in the approval authority. If the transaction amount reaches the public announcement and reporting standard of No. 5.4 of the Procedures, except for the acquisition or disposal of equipment held for business use, which may be submitted to and ratified by the Board of Directors afterwards, the rest shall be resolved and approved by the Board of Directors in advance. In the event that there are circumstances stipulated in Article 185 of the

Company Act, such circumstances shall be resolved by the shareholders' meeting first.

5.3.2 The Implementation Unit and Transaction Process:

The finance and accounting departments and the personnel designated by the Chairman shall be the implementation unit of long-term and short-term securities investment and derivative transactions. Real estate, other assets and right-of-use asset shall be executed by the users or related functional departments. Merger, demerger, acquisition or transfer of shares shall be conducted by the functional unit designated by the Chairman. Upon successful evaluation as required by law and approval, the implementation unit shall proceed to the acquisition or disposal of assets by entering into related agreements, making or receiving payment, delivery and inspection for acceptance, and referred to related process under the internal control system depending on the nature of the assets Related party transactions, derivative transactions, mergers, demergers, acquisitions or share transfers shall be conducted in accordance with No. 5.9 to 5.22.3 of the Procedures.

5.4 Public announcement and regulatory filing procedures:

5.4.1 Under any of the following circumstances, when acquiring or disposing of assets, the Company shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations in Appendix 2 to Appendix 8 within 2 days counting inclusively from the date of occurrence of the event:

1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
2. Merger, demerger, acquisition, or transfer of shares.

3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in No. 5.13.4 of the Procedures.

4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:

   A. For a public company whose paid-in capital is less than NT$10 billion, the transaction amount reaches NT$500 million or more.

   B. For a public company whose paid-in capital is NT$10 billion or more, the transaction amount reaches NT$1 billion or more.

5. Acquisition or disposal by a public company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT$500 million; among such cases, if the public company has paid-in capital of NT$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT$1 billion or more.

6. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT$500 million.

7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT$300 million; provided, this shall not apply to the following circumstances:

A. Trading of domestic government bonds.

B. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

5.4.2 The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

5.4.3 "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be counted toward the transaction amount.

5.4.4 The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format as mentioned in the appendix into the information reporting website designated by the FSC by the 10th day of each month.

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

5.4.6 Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with No. 5.4.1

of the Procedures, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:

1. Change, termination, or rescission of a contract signed in regard to the original transaction.
2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change to the originally publicly announced and reported information.

5.5 Procedure for appraisal of assets:

In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser (please refer to Appendix 1) and shall further comply with the following provisions. However, where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

5.5.1 Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.

5.5.2 Where the transaction amount is NT$1 billion or more, appraisals from two or more professional appraisers shall be obtained.

5.5.3 Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions

of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.

5.5.4 No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

5.6 In addition to acquiring assets for business use, the Company and its subsidiaries may also invest in real property and right-to-use assets thereof or securities not for business use, subject to the following restrictions.

5.6.1 The total amount of real property and right-of-use assets thereof not for business use shall not exceed 50% of the Company's net worth as stated in its most recent financial statements. Subsidiaries shall not exceed 200% of the net worth or stated capital as presented in the most recent financial statements, whichever is higher.

5.6.2 Total investment in securities shall not exceed 30% of the net worth of the Company as stated in the most recent financial statements. Subsidiaries shall not exceed 200% of the net worth or stated capital as presented in the most recent financial statements, whichever is higher.

5.6.3 The investment in particular security shall not exceed 20% of the net worth of the Company as stated in the financial statements covering the most recent period. Subsidiaries shall not exceed 200% of the net worth or stated capital as presented in the financial statements covering the most recent period, whichever is higher.

5.7 Control procedures for the acquisition and disposal of assets by subsidiaries:

5.7.1 The Company's subsidiaries shall also establish and implement the "Procedures for the Acquisition or Disposal of Assets" in accordance with the "Regulations Governing the

Acquisition or Disposal of Assets by Public Companies" as approved by the Board of Directors of the subsidiaries; the same applies when the procedures are amended.

5.7.2 The Company's subsidiaries shall acquire or dispose of assets in accordance with their respective "Internal Control System" and "Procedures for Acquisition or Disposal of Assets" and shall report to the Company in writing by the 5th day of each month on the acquisition or disposal of assets for the amount that reached NT$10 million or more in a single or cumulative same nature transaction in the previous month and the derivative transactions as of the end of the previous month. The auditing unit of the Company shall include the operation of acquisition and disposition of assets conducted by the subsidiaries as key monthly audit items, and shall report to the Board and the Audit Committee of the audit findings as an integral part of the audit report.

5.7.3 If the subsidiaries of the Company are not public companies, and the acquisitions or disposition of assets of these subsidiaries meet the standard required for public announcement and reporting as stated in No. 5.4 of the Procedures, they shall notify the Company on the day of deed and the Company shall make public announcement and reporting on the FSC's designated website. The paid-in capital or total assets of the Company shall be the standard applicable to the subsidiaries in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing.

5.8 Penal Provisions:

If the personnel of the Company related to the acquisition or disposition of assets violate the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by the FSC or these Procedures, depending on the circumstances of the violation, the relevant personnel shall be punished in accordance with the Company's work rules.

5.9 Related party or subsidiary:

Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

5.9.1 When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised in compliance with No. 5.2, 5.5,

and No. 5.10 to 5.12 of the Procedures, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with No. 5.2.7 of the Procedures herein. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

5.10 The procedures for adoption of resolutions:

When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted to the audit committee and approved by the Board of Directors:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a transaction counterparty.
3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with No. 5.11, and No. 5.12 to 5.12.3 of the Procedures.
4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.

6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.

7. Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with No. 5.4.2 of the Procedures herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been submitted to the audit committee and approved by the Board of Directors need not be counted toward the transaction amount.

5.10.1 With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's Board of Directors may delegate the Chairman of the Board to decide such matters when the transaction is within NT$300 million and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:

1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.

2. Acquisition or disposal of real property right-of-use assets held for business use.

5.10.2 Where the position of independent director has been created, when the procedures for the acquisition and disposal of assets are submitted for discussion by the Board of Directors pursuant to No. 5.10 of the Procedures, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.

5.10.3 The beforehand mentioned matters in No. 5.10 of the Procedures shall be approved by one-half or more of all audit committee members before being submitted to the Board of Directors for a resolution.

5.11 Appraisal of the reasonableness of the transaction terms:

When the Company acquires real property or right-of-use assets thereof from a related

party, it shall evaluate the reasonableness of the transaction costs by the following means:

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.

Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

The Company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.

Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the preceding article, and the preceding three paragraphs do not apply:

1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the

signing date for the current transaction.

3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

4. The real property right-of-use assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

5.12 Matters to be done if the transaction price is lower than the transaction cost:

5.12.1 When the results of the Company's appraisal conducted in accordance with No. 5.11 of the Procedures are uniformly lower than the transaction price, the matter shall be handled in compliance with No. 5.12.3 of the Procedures except where the following circumstances exist and when objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained.

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

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

   B. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price

discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.

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

5.12.2 Completed transactions involving neighboring or closely valued parcels of land in No. 5.12.1 of the Procedures in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

5.12.3 Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with No. 5.11 and 5.12.1 of the Procedures are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. The Company, having set aside a special reserve under the preceding paragraph, may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

2. The independent director members of the audit committee shall comply

with Article 218 of the Company Act. Where an audit committee has been established in accordance with the provisions of the Act, the preceding part of this subparagraph shall apply mutatis mutandis to the independent director members of the audit committee.

3. Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

5.13 Trading principles and strategies for engaging in derivatives trading:

5.13.1 Types of Transactions: The types of transactions in which the Company my engage include forward contracts, options, interest rate and exchange rate swaps, futures, and hybrid contracts combining the above transaction. Any required transaction in any other product may only be carried out following approval by resolution of the Board of Directors.

5.13.2 Operating or hedging strategies: Transactions in derivative products carried out by the Company are divided into transactions for hedging purpose and transactions that are not for hedging purpose (i.e., for transaction purpose). The strategy shall be to focus on the main purpose of hedging. The main selection of transaction products shall be for avoiding the risk of foreign exchange income, expense, asset or indebtedness incurred from the operation of the Company's business. In case of any change of objective environment, "non-hedging transactions" in derivative products may be engaged at appropriate timing in the market in order to increase additional non-operational income or reduce non-operational loss. Further, to the extent possible, the selected transaction counterparties shall be financial institutions that have business dealings with the Company in order to avoid credit risk. The type of transaction shall be clearly defined as hedging transaction or financial operation in pursuit of investment return prior to the transaction as the basis for accounting.

5.13.3 Transaction Amount Limits:

1. Hedging Transactions: The maximum hedging limit shall be the net positions of foreign exchange or debt (including net positions expected to incur in the future) after consolidation of assets and debt.

2. Non-Hedging Transactions: The amount shall not exceed USD 60 million.

Before proceeding to trade, the dealer shall present a report on the trend of foreign exchange rate and the content shall include the analysis of the trend in the foreign exchange market and the recommended means of trade subject to the final approval of the management.

5.13.4 The maximum loss limit on total trading and for individual contracts:

1. Hedging transactions: Hedging transactions are conducted in response to the actual needs of the Company. The upper limit of loss shall not exceed 10% of the overall position or the amount of particular contract, and the accumulated loss shall not exceed USD 900,000 in one year.
2. Non-Hedging transactions: The Company shall set the loss limit after setting the position to avoid excessive loss. The loss limit shall be up to 10% of the contract amount and the accumulated loss shall not exceed USD 900,000 in one year.

5.13.5 Segregation of duties:

1. Dealer: This is the executor of the derivatives transactions of the Company, who is designated by the Chairman. The dealer is responsible for preparing trading strategies under the scope of authorization, executing trade orders, disclosing future trading risks, and providing real-time information to relevant departments for reference.
2. Confirmation personnel: The Finance Department is responsible for confirming transactions, recording the transactions in accordance with relevant regulations, maintaining transaction records, regularly conducting fair market assessments on the positions held and providing such information to the relevant personnel and disclosing the related derivative transactions in the financial statements.
3. Settlement personnel: They are responsible for the settlement of derivative transactions.

5.13.6 Essentials of performance evaluation:

1. Hedging Transaction: The evaluation basis is the profit/loss between cost of the currency (interest) on the book and derivative transaction. The

performance is evaluated at least twice a month and presented to the management for reference.

2. Trade for defined purpose: The capital gain or loss shall be the basis for performance evaluation, which shall be conducted at least once a week. The findings shall be presented to the management as reference.

5.14 Risk management measures:

The Company, engaging in derivatives trading, shall adopt the following risk management measures:

5.14.1 Consideration of credit risk: The counterparties should be financial institutions and futures brokers in good standing, in business relation with the Company, and can provide professional information.

5.14.2 Consideration of market risk: The fluctuation of market price for derivatives may cause loss and uncertainty. The loss limit shall be duly observed after establishing the position of trade.

5.14.3 Consideration of liquidity risk: For the liquidity of the derivatives, the institutions involved in the transactions must be equipped with adequate facilities, information, and trading capacity and can conduct trade in any market.

5.14.4 Consideration of operation risk: The limit of authorization, operation procedure must be duly observed to avoid operation risk.

5.14.5 Consideration of legal risk: In entering into agreements with financial institutions, try to adopt the internationally standardized format in documentation as far as possible to avoid legal risk.

5.14.6 Consideration of product risk: The internal dealers must have a wealth of the professional knowledge of the derivative trade the Company engaged in to avoid loss from misleading use of derivatives.

5.14.7 Consideration of cash delivery risk: The authorized dealers must duly observe the authorized limit of trade, and pay attention to the cash flow of the Company regularly to ensure sufficient cash for settlement of trade in delivery.

5.14.8 Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.

5.14.9 The confirmation personnel shall confirm with the service bank the content of the transaction statement or proof by correspondence regularly, and check if the total amount of transaction is controlled within the upper limit under the Procedures.

5.14.10 The assessment, monitoring, and control of risks shall be performed by personnel in departments other than those specified in No. 5.14.8 of the Procedures and reported to the Board or senior management who are not in charge of trading or decision of the position.

5.14.11 Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.

5.15 Internal audit system:

5.15.1 The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, it should be reported immediately to the Chairman of the Board and the senior management designated by the Board of Directors, and the Audit Committee should be notified in writing.

5.15.2 The internal auditors of the Company shall include derivative transactions in the audit plan and shall file the implementation status of the previous year's audit plan to the FSC before the end of February of next year and also shall report the improvement situation for any abnormal affairs to the SEC before the end of May of next year.

5.16 Regular evaluation methods and the handling of irregular circumstances:

5.16.1 Transactions of derivative products shall be regularly evaluated on monthly or weekly basis and profit and loss as well as open positions of non-hedging transactions during the current month or current week shall be listed and submitted to senior management authorized by the Board of Directors and Chairman of the Board as reference for management performance evaluation and risk consideration.

5.16.2 Senior management personnel designated by the Company's Board of Directors shall

pay continuous attention to monitoring and controlling derivatives trading risk. The Company's Board of Directors shall periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.

5.16.3 Senior management personnel authorized by the Board of Directors shall manage derivatives trading in accordance with the following principles:

1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies established by the Financial Supervisory Commission (FSC) and the Company's Procedures for Acquisition or Disposal of Assets.
2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.

5.16.4 The Company shall establish a record book for transactions of derivative products, detailing the types and amounts of transactions of derivative products, the dates of approval by the Board of Directors, monthly or weekly regularly evaluation reports and matters subject to regular evaluations by the Board of Directors and senior management authorized by the Board of Directors.

5.17 When the Company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it by the audit committee to the Board of Directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

5.18 When the Company conducts a merger, demerger, acquisition, or transfer of shares, it shall prepare a public report to shareholders detailing important contractual content and matters prior to the shareholders' meeting and include it along with the expert opinion referred to in the preceding provision when sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders' meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution for any reason, or the proposal is rejected by the shareholders' meeting, the Companies shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders' meeting.

5.19 Unless otherwise provided by law or if there is any special reason requiring prior approval by the FSC, when the Company participates in any merger, demerger or acquisition, it shall convene the board meeting and the shareholders' meeting on the same day as the other participating companies to resolve on matters of merger, demerger or acquisition. When the Company participates in any transfer of shares, it shall convene the board meeting on the same day as the other participating companies.

5.19.1 When the Company conducts a merger, demerger, acquisition, or transfer of shares, it shall prepare a full written record of the following information and retain it for 5 years for reference:

1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.
3. Important documents and minutes: Including merger, demerger,

acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.

5.19.2 When the Company conducts a merger, demerger, acquisition, or transfer of shares, it shall, within 2 days counting inclusively from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

5.19.3 When the Company engages in any merger, demerger, acquisition or transfer of shares with a participating company that is not a listed company or whose shares are not traded in any securities dealer's business premises, the Company shall sign an agreement with such participating company and shall follow the provisions of No. 5.19.1 and 5.19.2 of the Procedures.

5.20 Share exchange ratio or acquisition price:

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

5.20.1 Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.

5.20.2 An action, such as a disposal of major assets, that affects the company's financial operations.

5.20.3 An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.

5.20.4 An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.

5.20.5 An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.

5.20.6 Other terms/conditions that the contract stipulates may be altered and that have been

publicly disclosed.

5.21 The contract shall record the following:

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

5.21.1 Handling of breach of contract.

5.21.2 Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished or that is demerged.

5.21.3 The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.

5.21.4 The manner of handling changes in the number of participating entities or companies.

5.21.5 Preliminary progress schedule for plan execution, and anticipated completion date.

5.21.6 Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion, and relevant procedures.

5.22 Other matters that the Company should consider when participating in a merger, demerger, acquisition or transfer of shares:

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

5.22.2 After public disclosure of the information, if the Company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, the Company shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the

number of participating companies is decreased and the Company's shareholders' meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, the Company may be exempted from calling another shareholders' meeting to resolve on the matter anew.

5.22.3 Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by No. 5.19, 5.22, and 5.22.2 of the Procedures.

5.23 When the Company acquires or disposes of assets, it shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.

5.24 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall comply with Article 5 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

5.25 With respect to the Company's acquisition or disposal of assets that is subject to the approval of the Board of Directors under the Company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the Company shall take into full consideration each independent director's opinions; the independent directors' opinions expressing assent or dissent and their reasons shall be included in the minutes of the Board of Directors meeting.

5.26 For the calculation of 10 percent of total assets under the Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

5.27 The Procedures shall be approved by one-half or more of all audit committee members and submitted to the Board of Directors for a resolution. If approval of one-half or more of all audit committee members as required is not obtained, the Procedures shall be approved by two-thirds or more of all directors and submitted to

the shareholders' meeting for approval after the Board of Directors' resolution, the same applies when the procedures are amended. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.

5.28 The terms "all audit committee members" and "all directors" in the Procedures shall be counted as the actual number of persons currently holding those positions.

[Appendix 4]

# Kenda Rubber Ind. Co., Ltd.

## Shareholding of All Directors

May 2, 2022

| Title | Name | Date elected | Terms | At the time of election | | Number of shares held as recorded in the shareholders' roster on the book closure date | |
|---|---|---|---|---|---|---|---|
| | | | | Number of Share | Shares Ratio % | Number of Share | Shares Ratio % |
| Chairman | Yang, Chi-Jen | 2021.08.31 | 3 years | 91,622,924 | 10.07% | 91,550,924 | 10.07% |
| Vice Chairman | Chang, Hong-Der | 2021.08.31 | 3 years | 7,661,040 | 0.84% | 7,661,040 | 0.84% |
| Director | Yang, Ying-Ming | 2021.08.31 | 3 years | 65,555,015 | 7.21% | 64,635,015 | 7.11% |
| Director | Yang, Shin-Nan | 2021.08.31 | 3 years | 16,007,518 | 1.76% | 16,007,518 | 1.76% |
| Director | Stretch Investment Co., Ltd. | 2021.08.31 | 3 years | 7,268,753 | 0.80% | 9,433,838 | 1.04% |
| Director | KENJOU CO., LTD. | 2021.08.31 | 3 years | 66,002 | 0.01% | 66,002 | 0.01% |
| Director | Yang, Chia-Ling | 2021.08.31 | 3 years | 28,668,065 | 3.15% | 28,668,065 | 3.15% |
| Director | Lin, Tsung-Yi | 2021.08.31 | 3 years | 10,413,403 | 1.15% | 10,413,403 | 1.15% |
| Independent Director | Hsieh, Chun-Mou | 2021.08.31 | 3 years | 0 | 0.00% | 5,000 | 0.00% |
| Independent Director | Su, Ching-Yang | 2021.08.31 | 3 years | 0 | 0.00% | 0 | 0.00% |
| Independent Director | Cho, Shih-Chao | 2021.08.31 | 3 years | 0 | 0.00% | 0 | 0.00% |
| Shareholding of All Directors | | | | 227,262,720 | 24.99% | 228,440,805 | 25.12% |

Total issued shares: 909,410,000 shares on August 31, 2021

Total issued shares: 909,410,000 shares on May 2, 2022

The minimum required combined shareholding of all directors by law: 29,101,120 shares