

TWSE : 1517

## **Lee Chi Enterprises Co., Ltd.**

### **2023 Annual Shareholders' Meeting**

### **Meeting Agenda**

Note to Readers:

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 version shall prevail.

June 21, 2023

# Table of Contents

Chapter I . Meeting Procedures .....	1
Chapter II. Meeting Agenda .....	2
I. Report Items .....	3
II. Ratification Items .....	3
III. Election Items .....	6
IV. Other Items .....	6
V. Extraordinary Motions.....	7

## Table of Contents

1. 2022 Business Report.....	8
2. The Audit Committee’s Review Report .....	16
3. Auditor’s Report and 2022 Financial Statements .....	17
4. Declaration of Consolidation of Financial Statements of Affiliates .....	26
5. Auditor’s Report and 2022 Consolidated Financial Statements .....	27
6. List of Director (including Independent Director) Candidates .....	37
7. Articles of Incorporation .....	40
8. Rules of Procedure for Shareholder Meetings .....	47
9. Rules for Election of Directors.....	50
10.Impact of Stock dividend Issuance on Business Performance, EPS, and Shareholder Return Rate .....	52
11.Shareholding of Directors and Independent Directors.....	52

# **Lee Chi Enterprises Co., Ltd.**

## **Procedure for the 2023 Annual General Meeting**

I. Call the Meeting to Order

II. Chairman's Opening Remarks

III. Report Items

IV. Ratification Items

V. Election Items

VI. Other Items

VII. Extraordinary Motions

VIII. Adjournment

# **Lee Chi Enterprises Co., Ltd.**

## **2023 Annual General Meeting Agenda**

Time: 9:00 am on June, 21, 2023 (Wednesday)

Place: No.112, Section 1, Shipai Road, Shipai Village, Changhua City (the Company).

Type of meeting: Physical shareholders' meeting

I. Chairman's Opening Remarks

II. Report Items

(I) 2022 Business Report

(II) The Audit Committee's Review Report on the 2022 Financial Statements

(III) Report on the 2022 Distribution of Employees' Compensation and Directors' Remuneration

III. Ratification Items

(I) 2022 Business Report and Financial Statements

(II) Distribution of 2022 earnings

IV. Election Items

(I) Election of all directors

V. Other Items

(I) Proposal to release newly-elected directors or their representatives from non-competition restrictions

VI. Extraordinary Motions

VII. Adjournment

## **Report Items**

Item 1:

Subject: 2022 Business Report

Explanation: The 2022 Business Report is attached on Page 8~15.

Item 2:

Subject: The Audit Committee's Review Report of the 2022 Financial Statements

Explanation: The Review Report is attached on Page 16.

Item 3:

Subject: Report on the 2022 Distribution of Employees' Compensation and  
Directors' Remuneration

Explanation: The Company's 2022 profit (profit refers to earnings before tax after deducting employees' compensation and directors' remuneration) is NT\$ 708,435,235; and in accordance with the Articles of Incorporation, NT\$ 25,073,125 is set aside as employees' compensation and NT\$ 3,318,502 as directors' remuneration, to be distributed in cash.

## **Ratification Items**

Item 1:

Subject: Adoption of the 2022 Business Report and Financial Statements  
(Proposed by the Board of Directors)

Explanation: I. The Company's 2022 Financial Statements (include Individual and Consolidated Financial Statements) were audited by certified

public accountants, Li-wei Liu and Ting-Chien Su of Deloitte & Touche Tohmatsu Limited, and together with the Business Report, reviewed by the Audit Committee.

- II. The Business Report and 2022 Financial Statements (include Individual and Consolidated Financial Statements) are attached (please refer to Page 8~15, 17~36 of the Meeting Agenda) for ratification.

Resolution:

Item 2:

Subject: Adoption of the Proposal for Distribution of 2022 earnings (Proposed by the Board of Directors)

- Explanation:
- I. The Company's 2022 unappropriated retained earnings is NT\$1,364,358,375, and in accordance with the Company Act and Articles of Incorporation, NT\$ 200,970,006 will be distributed as shareholder bonus. The ending unappropriated retained earnings after distribution is NT\$ 1,163,388,369.
  - II. Shareholder bonus of NT\$ 200,970,006 is to be distributed as cash dividend at NT\$0.9 per share. (to the nearest NT\$1)
  - III. The chairman is authorized to set the dividend record date, allotment date and other related matters after such proposal is approved at the shareholders' meeting..
  - IV. The Earnings Distribution Table is attached (please refer to Page 5 of the Meeting Agenda).

Resolution:

Lee Chi Enterprises Co., Ltd.  
Earnings Distribution Table  
2022

	Unit: NT\$
Unappropriated retained earnings, beginning balance	\$845,490,072
Add: Net profit after tax	568,712,451
Add: Remeasurement of defined benefit plans recognized in retained earnings	29,906,411
Add: Disposal of investments in equity instruments designated at fair value through other comprehensive income, cumulative gains or losses directly transferred to retained earnings	1,906,643
Less: Appropriation of legal reserve (10%)	(60,052,551)
Less: Special reserve set aside in accordance with the laws and regulations	(21,604,651)
Distributable earning	1,364,358,375
Less: Distribution items	
Cash dividends to shareholders (NT\$0.9/share)(*223,300,007 shares)	(200,970,006)
Unappropriated retained earnings, ending balance	\$1,163,388,369

Note:

1. Number of shares issued is 225,685,007. After deducting 2,385,000 of treasury stock repurchased, the number of outstanding shares is 223,300,007 shares.
2. If the outstanding shares are affected by subsequent buy back of the Company's shares, transfer of treasury stock, or exercising of stock options by employees, etc., resulting in changes in dividend distribution and the need to make adjustments, the Chairman may be authorized to handle the relevant adjustment matters.
3. Earning from the most recent year shall first be distributed for the above earnings distribution.
4. The Company's cash dividend is rounded down to the nearest NT\$; and the total decimals dropped are accounted as the Company's other income.

Chairman:  
Lin, Yu-Hsin

President:  
Lin, Yu-Hsin

Accounting Manager:  
Lin, Yi-Hsien

## **Election Items**

Item 1:

Subject: Election of all directors (Proposed by the Board of Directors).

Explanation: I. The term of the Company's current directors will expire by June 23, 2023. In accordance with the Company Act, a re-election of directors shall be conducted.

II. Pursuant to Article 15 of the Company's Articles of Incorporation, the proposed election shall have 7 directors elected (including 3 independent directors). The newly appointed directors shall assume office as of the date of election, shall serve for a term of three years starting from June 21, 2023 to June 20, 2026, and can be re-elected.

III. The proposed election of directors shall be conducted by adopting a candidate nomination system. For the "List of Candidates" approved by the Board of Directors on March 15, 2023, please refer to Page 37 of the Meeting Agenda.

IV. Please refer to Page 50 of the Meeting Agenda for Rules for Election of Directors..

Results of the election:

## **Other Items**

Item 1:

Subject: Proposal to release newly appointed directors or their representatives from non-competition restrictions (Proposed by the Board of Directors).

Explanation: I. Pursuant to Article 209 of the Company Act, "a director who engages in activities either for himself/herself or on behalf of another person



that are within the scope of the Company’s business, he/she shall explain the essential contents of the act to the shareholders’ meeting and obtain its approval”.

- II. The newly appointed directors engage in activities regulated by Article 209 of the Company Law due to their concurrent jobs. Under the premise of not harming the interests of the Company, it is proposed to release them from the restrictions on engaging in related activities based on their concurrent jobs.
- III. The concurrent positions held by the newly appointed directors are shown in the following table (please refer to Page 7 of the Meeting Agenda).

Resolution:

**Explanation of directors (including independent directors) holding important positions in other companies**

Type	Name	Current Position within Other Companies	
Director	Lin, Yu-Hsin	Chief Venture Capital Corp.	Chairman
Director	Lin, Yi-Hsien	Chief Venture Capital Corp.	Director
Independent Director	Chen, Kuei-Tuan	CHC Healthcare Group	Independent Director
		Chumpower Machinery Corporation	Independent Director
		Swancor International Investment Holdings Co., Ltd.	Director

**Extraordinary Motions**

**Adjournment**

**I. Forewords:**

The bicycle industry has experienced a surge in demand for nearly 3 years since 2020 as a result of the rapid growth due to boom of purchases and limited availability under the pandemic, as well as the trends of carbon reduction and environmental protection. However, the year 2022 became the year of changes and challenges owing to the resolved supply chain bottleneck and the shift in consumer demand following the lift of lockdown, in conjunction with crisis composed of global inflation and geopolitical tension. The expansion to production capacity of supply chain took place in Q1 to satisfy the deficiency in supplies for orders; however, a plummet in the terminal demand appeared in the bicycle market in Q4, urging brand clients and distributors to take on a more conservative position with forecast. Meanwhile, the circumstances for the industry have changed from processing of orders at maximal capacity to idling due to delayed shipment or order cancellation from clients. The revenue and shipment declined and entered a short-term spiraling decrease.

Looking forward to 2023, the bicycle industry went from a bullish market benefitted by the pandemic-related concepts to a bearish state led by impacts of sales decline. With the increase in operating costs due to surge in inventory inhibiting liquidity of funds, inflation, and spiked-up interest rates, the industry is facing strong headwinds for operations. While reducing inventory, it is also necessary to perform proper risk control on account turnover and maintain a stable cash flow in order to be adaptive and flexible for future operations. The Company is convinced of the philosophy “challenges will bring about changes, and innovation will eventually bring about the leap”. In the face of headwinds in the business circumstances, the Company will continue to promote various improvements under the established management structure to sustain in the industry adjustment period in the recent quarters with an expectation to restore operations to the positive trend enabling stable growth. The Company is also convinced that ongoing innovations and daring changes may bring forth positive effects, creating long-term investment value for all shareholders.

**II. Business Results in 2022:****(I) Operating Results:**

The Company’s 2022 consolidated net operating revenue is NT\$5,084,564 thousand, consolidated net profit after tax is NT\$555,205 thousand, net profit attributable to the parent company is NT\$568,713 thousand, and the basic earnings per share is NT\$2.55.

In 2022, the Company adopted “stable order acceptances, maintaining growth, lean management, and continuous improvement” as the operating goals. To better align with changes to

orders in the market, the Company continued to conduct necessary investments, enhancing its overall competitiveness through strengthened product innovation and promotion of ESG sustainability to maintain operational resilience and to seize opportunities in the subsequent economic recovery. The conducts include the following orientations:

- 1. Regulations of Production Capacity:** In response to order changes, the Company frequented communication with clients on shipment status, made production capacity adjustments in a timely manner, continued reviews and improvement over production line equipment, materials, personnel and Company environment, and promoted measures inclusive of manufacturing process refinement, work hours review, replacement of equipment, staffing moderation, etc., all of which have achieved results. Furthermore, in line with this wave of inventory adjustments, various production responses have been performed to avoid the impact of circumstances.
- 2. Product Development:** The Company continuously reviewed the composition of the product line, developed and launched a number of new products, strengthened collaborative development with clients, and actively conducted correspondences for the introduction of new products. In 2022, a variety of new hydraulic disc brakes, handles, seat tubes, rim hubs and more have been launched and have been widely adopted by clients, with acclaims received. Furthermore, the Company continued its investment in the area of high-end products, which contributed to the growth of gross profit and market share of the Company's product portfolio.
- 3. Enhancement in Manufacturing process:** With the improvement of manufacturing process capability and products of local contents prioritized, the Company raised its investments in manufacturing process by purchasing high-precision processing machines, forging and casting production equipment, quality inspection equipment and other machines on a regular basis and continued introduction of various automation equipment and systems. The Company also collaborated with major clients in establishing multiple dedicated production lines and improvement of production technology to increase product yield.
- 4. Excellence in Management:** The Company proceeded with its verifications for various ISO management systems in conjunction with the introduction of ERP and HR management systems as means of its ongoing improvement over various operating procedures and strengthening of organizational communication and quality management. Moving towards the vision of ESG sustainability, the Company conducted various measures emphasizing friendliness to the environment, fulfillment of corporate social responsibilities and

strengthening of corporate governance including environmental protection and waste reduction, implementation of energy conservation and the use of renewable energy, carbon inventory, afforestation for reserves of carbon sinks and biodiversity. The Company also joined external organizations such as the Bicycling Alliance for Sustainability (BAS) to exert the industrial strength in the promotion of ESG.

5. **Improvement in Operations:** The Company continuously reviewed and monitored the operational efficiency of each business unit for strengthened competitiveness, and increased its investments in various kinds of equipment and improvement in ESH measures and factory planning to strengthen operational efficiency. Profitability and improvement effects have been noticeable in each business unit.
6. **Cross-Industry Alliance:** By utilizing in-house engineering and manufacturing capabilities, the Company has sealed cross-industry cooperation and orders. Through cross-industry alliances, the Company continues to improve technological development and increase operational prospects, thereby seeking the possibility of reciprocal development.

**(II) 2022 Budget Execution Status:**

The Company did not plan a financial forecast for 2022, and its expenditure budget is controlled at a level of 10%.

**(III) Financial Position and Profitability Analysis:**

The Company has a sound financial structure, and 2022 Profitability Analysis based on the Consolidated Financial Statements shows that return on assets is 10%, return on equity is 13.93%, ratio of operating income to paid-in capital is 26.49%, ratio of profit before tax to paid-in capital is 31.01 %, profit margin before tax is 10.91 %, and basic earnings per share attributable to the parent company is NT\$2.55.

**(IV) Research and Development Status:**

Completed the development of 51 new products, submitted 5 patent applications, and was awarded 3 (including 1 utility model patents in Taiwan, 2 invention patents in Taiwan ; note that one patent awarded by different countries is only calculated as one award); and awarded 5 trademark certification.

### III.2023 Business Plan Outline:

#### (I) Sales Volume Forecast:

Item	Expected Sales
Braking system:	
Brakes	3,100 thousand Pieces
Levers	1,500 thousand Pieces
Cable	3,000 thousand Pieces
Seat Post	3,000 thousand Pieces
Stem	3,500 thousand Pieces
Hub	900 thousand Pieces
Spare parts such as brake, seat post, stem, etc.	47,000 thousand Pieces

Note: The above figures are the Company's individual data.

#### (II) Management Guidelines and Production and Sales Policies in 2023 are as follows:

1. **“Moderating Operations, and Controlling Risks”**: The high uncertainty of the macro-economy is expected to influence the industry throughout the year. The supply chain is in the order adjustment period with turmoil and is faced with pressure from changes resulting from sharp decline in operations coupled with high inventory, unused production capacity, and tight cash flow. In response to the challenges above, the Company will adjust production capacity in a timely manner, strengthen inventory control, control various procurement and costs, and continue to follow the trends of key accounts. With the solid adjustments in the trends impeding industry growth, the Company manages to maintain its competitive edges.
2. **“Setting Goals and Stabilizing Profits”**: The Company sets its annual business goals at a more proactive manner, by strengthening its business momentum and order acceptance, and reviewing processes to reduce internal costs and various expenses. Furthermore, in response to fluctuations in international raw material prices and exchange rates, the Company takes note of the market changes and performs risk avoidance and inventory management to capture profits and opportunities for economic recovery.

3. **“Product Innovation for Increased Margin”**: The Company will continue to innovate for its products and development processes, with the target to increase the proportion of high value-added products and to expand the market share of mid-to-high-end parts. Meanwhile, under the global trend of spending inhibition, the Company intends to stimulate sales by launching new products.
4. **“Brand Marketing for Enlarged Market Share”**: Through promoting the own brand “PROMAX”, the sales of new products is expected to be driven, thereby increasing the market share and product margin. The Company, eyeing the great business opportunities in mending and repair, also intends to establish more mending and repair and after-sale service locations under the brand by cooperating with major channels; in recent years, the Company has gained brand awareness through sponsorship of internationally renowned cycling teams, whilst collecting feedbacks from competitive riders concerning the use of our products as reference in subsequent product improvements and future development orientations.
5. **“Increased Cooperation and Excelling Technologies”**: The Company continues to deepen its cooperation and dependence relationship with internationally renowned finished bikes and parts brands by collaborating in the development of new products. In the meantime, the Company establishes dedicated production lines to increase the breadth and depth of developed items for comprehensive escalation of product technology.
6. **“Cross-Industry Collaborations and Proactive Transformation”**: In recent years, the Company has engaged in cross-industry collaborations to seek more development opportunities, whose results have been progressively evident. By undertaking cross-industry product orders, the Company may improve its manufacturing capabilities and in the meantime strengthen operation outlook for opportunities other than bicycle-related businesses.
7. **“Talent Cultivation and Advocating Sustainability”**: As a means to lay foundation to the Company’s sustainable development, the Company continues to cultivate talents and improve employee benefits through increasing the organizational efficiency and fostering future development momentum. In response to the global commitment to implement green initiatives such as carbon neutrality, net zero carbon emissions to combat greenhouse effect and extreme climate, the bicycle industry focuses on carbon reduction practices from production to sales, and has listed ESG as a key point. The Company at the forefront of industrial carbon reduction continues to promote compliance with energy-saving and carbon-reduction requirements in its corporate environment, promotes the implementation of

low-carbon environmental protection in its R&D, manufacturing processes and sales, and actively assists clients and supply chains to promote ESG sustainable goals.

#### **IV. Future Development Strategies and Effects by Industrial Circumstances:**

##### **(I) Future Development Strategies of the Company:**

- 1. Concurrent development of own brand and OEM:** strengthen the innovation and R&D of bicycle products, meet consumer demand, provide cyclists with the best product experience and create product value, becoming an industry leading bicycle component supplier.
- 2. Innovation of products and introductions of new materials and manufacturing processes on a sustained manner:** Besides continuing to implement the applications on bicycle components, pursue technological leadership, and extend the applications to related products such as electric cars, motor vehicles, 3C technologies, etc., to expand sales % on new business and new markets.
- 3. Consolidate the Group's resources, create production advantages:** become a world-class professional manufacturing plant, make the most of local resources, continue to consolidate the supply chain, take active actions in meeting customer demand, and build a production environment that meets the needs of customers.
- 4. Stable profitability, sustainable operation:** pursue profitability and stable growth for the Company, increase operational efficiency, establish core competitiveness such as talent cultivation and corporate culture; through uniting the organization, inject quality culture, and implement operational sustainability.

##### **(II) Effects by external competitions, regulation and macroeconomic circumstances on the Company:**

1. The complex issue composed of multiple factors including rise of war and geopolitical risks, trade wars, supply chain disruption and reorganization have caused a global crisis of inflation. All countries are facing the highest level of inflation in the past 30 years. Raised raw material price, deficiency of supply chains, reduction of labor force, etc., have substantially increased the production costs and therefore leading to operational risks. Manners to improve own management capabilities, quickly respond to various changes and diversify risks will be an important issue this year.
2. Under the impact of high tariffs under the trade barriers adopted by various countries and the evolution of deglobalization, the industry has also adapted itself to a short-chain supply

system. Based on factors such as tariff avoidance or seeking proximity to the target sales markets, major brand clients have also successively diversified countries engaged in manufacturing of products sold to US and European countries. Such initiative also affects the deployment of production of the bicycle industry chain, in which Mainland China was the hub. The future regional restructuring of the overall bicycle supply chain is worth observing.

3. The technological development trend of 5G, Internet of Things, AI and R&D of battery technology have boosted the rapid development of E-BIKE, making it the next big thing of the industry in the recent years. Nevertheless, under the circumstances which the economic outlook is impacted by global inflation, interest raise, war and more as well as the tendency of austerity shopping, observations on the potential stagnation in spending shall be made, as it may influence the clearance pace of bicycle inventory. Furthermore, it is also necessary to determine whether to launch new products based on observations. The Company may maintain a stable operation by driving the sales mid-to-high end models and E-Bikes and creating stable demands amid the decline in sales of other products.
4. In the trend of promoting zero-carbon emission goals and carbon neutrality under the global climate change, countries have gradually tweaked their energy mix by switching to low-carbon power generation equipment. However, with the rapid energy transformation, unstable supplies and inflation, wars and the corresponding fluctuation in oil and natural gas prices, shortage of resources such as power and fuel, which may be the new norm coupled with manufacturing bottlenecks such as labor shortages and rising raw material prices, the industry in need of stable production will inevitably be faced with more challenges in operations.
5. Countries have proceeded with their promotion of carbon inventory and have established legal bases for levying carbon fees. The collection of carbon border tariffs a.k.a. the “green inflation” will pose great impact on Taiwan’s manufacturing-based industries. The initial scope of application will expand from upstream products such as steel, aluminum, and cement to downstream products, making carbon reduction no longer an option for enterprises but a must for future competitiveness.

With the above internal and external changes and impacts, the Company strongly believes that challenges are definitely accompanied with opportunities. Through strong management and continuous advancement, we will grasp market demand to reflect our sales & operations. The Company is optimistic of its future development, and will continue to achieve great performance in



return for the support of the shareholders. We earnestly request every shareholder to continue to support us, for the continued growth of the Company. Thank you!

We wish you all good fortune and great health.

Chairman: Lin, Yu-Hsin

President: Lin, Yu-Hsin

Accounting Manager: Lin, Yi-Hsien

**Lee Chi Enterprises Co., Ltd.**  
**Audit Committee's Review Report**

It is hereby approved

The Board of Directors has submitted the Company's Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for 2022 (including individual and consolidated), and they have been audited by certified public accountants, Li-Wei Liu and Ting-Chien Su of Deloitte & Touche Tohmatsu Limited. The Audit Committee has reviewed the above statements, 2022 Business Report and the earnings distribution proposal, and did not find any instances of non-compliance. In accordance with Article 219 of the Company Act and Article 14-4 of the Securities and Exchange Act, the report is hereby presented.

Yours faithfully,

The Company's 2023 Annual General Meeting

Lee Chi Enterprises Co., Ltd.

Convener of the Audit Committee: Chen, Kuei-Tuan

Date: March 15, 2023

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Lee Chi Enterprises Company Ltd.

### **Opinion**

We have audited the accompanying financial statements of Lee Chi Enterprises Company Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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, 2022. 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 identified in the Company's financial statements for the year ended December 31, 2022 is stated as follows.

#### Revenue Recognition

The Company's operating revenue mainly comes from the manufacturing and sale of bicycle components. The operating revenue significantly increased due to the changes in market demand for bicycle components in 2022 compared to the previous year. However, the revenue from specific customers was significant to the overall operating revenue. We identified the validity of recognition of the revenue from specific customers as a key audit matter. For the accounting policy on the revenue recognition, refer to Note 4 to the financial statements.

The main audit procedures that we performed in respect of revenue from the specific customers included the

following:

1. We evaluated the design and implementation of the related internal controls on revenue recognition and tested the operating effectiveness of the related controls.
2. We selected samples from the specific customers' subsidiary ledger of sales revenue, to verify related documents and receipts of payment and confirm the validity of revenue recognition.

### **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 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the 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, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Li-Wei Liu and Ting-Chien Su.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 15, 2023

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.*

## Lee Chi Enterprises Company Ltd.

### BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 740,755	14	\$ 315,293	6
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	98,469	2	84,612	2
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	51,303	1	68,006	1
Notes receivable (Notes 4, 10 and 19)	37,448	1	35,727	1
Trade receivables from non-related parties (Notes 4, 10 and 19)	728,926	14	873,385	17
Trade receivables from related parties (Notes 4, 19 and 26)	63,493	1	40,198	1
Other receivables (Notes 4 and 26)	294,440	5	262,671	5
Inventories (Notes 4 and 11)	995,506	19	1,117,422	22
Other current assets	13,573	-	26,066	1
Total current assets	<u>3,023,913</u>	<u>57</u>	<u>2,823,380</u>	<u>56</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at amortized cost - non-current (Notes 4, 9 and 27)	1,673	-	1,664	-
Investments accounted for using the equity method (Notes 4 and 12)	1,315,805	25	1,307,651	26
Property, plant and equipment (Notes 4 and 13)	865,459	16	822,780	16
Right-of-use assets (Notes 4 and 14)	10,375	-	13,339	-
Other intangible assets (Notes 4 and 15)	31,724	1	35,207	1
Deferred tax assets (Notes 4 and 21)	36,669	1	54,373	1
Net defined benefit assets - non-current (Notes 4 and 17)	10,884	-	-	-
Other non-current assets (Note 4)	11,787	-	24,919	-
Total non-current assets	<u>2,284,376</u>	<u>43</u>	<u>2,259,933</u>	<u>44</u>
<b>TOTAL</b>	<u>\$ 5,308,289</u>	<u>100</u>	<u>\$ 5,083,313</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Trade payables to non-related parties	\$ 260,592	5	\$ 580,515	11
Trade payables to related parties (Note 26)	286,414	5	180,042	4
Other payables (Note 16)	182,644	3	180,397	4
Current tax liabilities (Note 4)	132,592	3	74,353	1
Lease liabilities - current (Notes 4 and 14)	2,904	-	2,765	-
Other current liabilities (Notes 4, 16 and 19)	29,045	1	46,450	1
Total current liabilities	<u>894,191</u>	<u>17</u>	<u>1,064,522</u>	<u>21</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 21)	131,538	3	130,423	2
Lease liabilities - non-current (Notes 4 and 14)	7,766	-	10,697	-
Net defined benefit liabilities - non-current (Notes 4 and 17)	-	-	36,362	1
Other non-current liabilities	576	-	700	-
Investments accounted for using the equity method - credit balance (Notes 4 and 12)	217,570	4	184,242	4
Total non-current liabilities	<u>357,450</u>	<u>7</u>	<u>362,424</u>	<u>7</u>
Total liabilities	<u>1,251,641</u>	<u>24</u>	<u>1,426,946</u>	<u>28</u>
<b>EQUITY</b>				
Ordinary shares	2,256,850	42	2,278,250	45
Capital surplus	67,084	1	64,235	1
Retained earnings				
Legal reserve	328,978	6	284,080	6
Special reserve	99,652	2	123,882	2
Unappropriated earnings	1,446,017	27	1,044,799	21
Other equity	(121,257)	(2)	(99,652)	(2)
Treasury shares	(20,676)	-	(39,227)	(1)
Total equity	<u>4,056,648</u>	<u>76</u>	<u>3,656,367</u>	<u>72</u>
<b>TOTAL</b>	<u>\$ 5,308,289</u>	<u>100</u>	<u>\$ 5,083,313</u>	<u>100</u>

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

## Lee Chi Enterprises Company Ltd.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 19 and 26)	\$ 3,851,621	100	\$ 3,286,536	100
OPERATING COSTS (Notes 11, 20 and 26)	<u>3,010,430</u>	<u>78</u>	<u>2,586,277</u>	<u>79</u>
GROSS PROFIT	<u>841,191</u>	<u>22</u>	<u>700,259</u>	<u>21</u>
OPERATING EXPENSES (Note 20)				
Selling and marketing expenses	82,782	2	80,040	2
General and administrative expenses	55,829	1	54,423	2
Research and development expenses	68,040	2	70,925	2
Expected credit loss (gain) (Notes 4 and 10)	<u>(977)</u>	<u>-</u>	<u>3,755</u>	<u>-</u>
Total operating expenses	<u>205,674</u>	<u>5</u>	<u>209,143</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>635,517</u>	<u>17</u>	<u>491,116</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES (Note 4)				
Finance costs	(343)	-	(205)	-
Share of profit or loss of subsidiaries	4,188	-	69,815	2
Interest income	2,243	-	1,038	-
Dividend income	3,956	-	2,306	-
Other income (Notes 18 and 20)	27,385	1	24,991	1
Gain (loss) on fair value changes of financial assets and liabilities at fair value through profit or loss	(8,538)	-	3,669	-
Other expenses (Note 20)	(35,560)	(1)	(116)	-
Foreign exchange gain (loss), net (Note 20)	<u>79,587</u>	<u>2</u>	<u>(41,448)</u>	<u>(2)</u>
Total non-operating income and expenses	<u>72,918</u>	<u>2</u>	<u>60,050</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	708,435	19	551,166	16
INCOME TAX EXPENSE (Notes 4 and 21)	<u>139,722</u>	<u>4</u>	<u>103,807</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>568,713</u>	<u>15</u>	<u>447,359</u>	<u>13</u>

(Continued)

## Lee Chi Enterprises Company Ltd.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	\$ 37,383	1	\$ (1,821)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(12,336)	(1)	21,772	1
Subsidiaries unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(6,657)	-	10,787	-
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 21)	(7,477)	-	364	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Note 18)	(705)	-	(5,246)	-
Other comprehensive income for the year, net of income tax	10,208	-	25,856	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 578,921	15	\$ 473,215	14
EARNINGS PER SHARE (Note 22)				
Basic	\$ 2.55		\$ 2.00	
Diluted	\$ 2.53		\$ 2.00	

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

(Concluded)



**Lee Chi Enterprises Company Ltd.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)**

	Share Capital (Note 18)	Capital Surplus (Note 18)	Retained Earnings (Note 18)			Other Equity		Treasury Shares (Note 18)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations (Note 18)	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income (Note 4)		
BALANCE AT JANUARY 1, 2021	\$ 2,278,250	\$ 64,235	\$ 265,642	\$ 135,847	\$ 680,443	\$ (132,855)	\$ 8,972	\$ (39,227)	\$ 3,261,307
Appropriation of 2020 earnings									
Legal reserve	-	-	18,438	-	(18,438)	-	-	-	-
Special reserve reversed	-	-	-	(11,965)	11,965	-	-	-	-
Cash dividends	-	-	-	-	(78,155)	-	-	-	(78,155)
Net profit for the year ended December 31, 2021	-	-	-	-	447,359	-	-	-	447,359
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(1,457)	(5,246)	32,559	-	25,856
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	445,902	(5,246)	32,559	-	473,215
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	3,082	-	(3,082)	-	-
BALANCE AT DECEMBER 31, 2021	2,278,250	64,235	284,080	123,882	1,044,799	(138,101)	38,449	(39,227)	3,656,367
Appropriation of 2021 earnings									
Legal reserve	-	-	44,898	-	(44,898)	-	-	-	-
Special reserve reversed	-	-	-	(24,230)	24,230	-	-	-	-
Cash dividends	-	-	-	-	(178,640)	-	-	-	(178,640)
Net profit for the year ended December 31, 2022	-	-	-	-	568,713	-	-	-	568,713
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	29,906	(705)	(18,993)	-	10,208
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	598,619	(705)	(18,993)	-	578,921
Cancellation of treasury shares	(21,400)	2,849	-	-	-	-	-	18,551	-
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	1,907	-	(1,907)	-	-
BALANCE AT DECEMBER 31, 2022	\$ 2,256,850	\$ 67,084	\$ 328,978	\$ 99,652	\$ 1,446,017	\$ (138,806)	\$ 17,549	\$ (20,676)	\$ 4,056,648

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

## Lee Chi Enterprises Company Ltd.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 708,435	\$ 551,166
Adjustments for:		
Depreciation expenses	102,178	93,066
Amortization expenses	4,227	4,069
Expected credit loss recognized (reversed) on trade receivables	(977)	3,755
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	8,538	(3,669)
Financial costs	343	205
Interest income	(2,243)	(1,038)
Dividend income	(3,956)	(2,306)
Share of profit or loss of subsidiaries	(4,188)	(69,815)
Loss (gain) on disposal of property, plant and equipment	(208)	60
Gain on disposal of investments	-	(754)
Write-down of inventories	8,714	322
Net loss (gain) on foreign currency exchange	(2,583)	18,067
Deferred revenue	(124)	(123)
Recognition (reversal) of provisions	(2,766)	2,115
Changes in operating assets and liabilities		
Notes receivable	(1,721)	5,541
Trade receivables	112,210	(296,245)
Other receivables	11,012	(572)
Inventories	113,202	(650,324)
Other current assets	12,493	(9,090)
Trade payables	(212,808)	286,859
Other payables	3,589	63,458
Provisions	(386)	(1,309)
Other current liabilities	(14,253)	(4,708)
Net defined benefit assets / liabilities	(9,863)	(9,438)
Cash generated from (used in) operations	828,865	(20,708)
Interest received	2,093	1,352
Dividends received	3,956	2,306
Interest paid	(343)	(205)
Income tax paid	(70,141)	(2,653)
Net cash generated from (used in) operating activities	<u>764,430</u>	<u>(19,908)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of financial assets at fair value through other comprehensive income	4,367	3,073
Proceeds from sale of financial assets at amortized cost	-	24,804
Purchase of financial assets at fair value through profit or loss	(1,661,500)	(1,309,277)
Proceeds from sale of financial assets at fair value through profit or loss	1,639,636	1,489,954
Payments for property, plant and equipment	(71,153)	(63,671)
Proceeds from disposal of property, plant and equipment	615	6

(Continued)

## Lee Chi Enterprises Company Ltd.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

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	<b>2022</b>	<b>2021</b>
Increase in refundable deposits	\$ (28)	\$ (25)
Decrease in refundable deposits	21	-
Increase in other receivables from related parties	(31,400)	(22,457)
Payments for intangible assets	(744)	(2,108)
Increase in prepayments for equipment	(59,350)	(50,865)
Dividends received from subsidiaries	<u>22,000</u>	<u>16,500</u>
Net cash generated from (used in) investing activities	<u>(157,536)</u>	<u>85,934</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of the principal portion of lease liabilities	(2,792)	(2,840)
Dividends paid to owners of the Company	<u>(178,640)</u>	<u>(78,155)</u>
Net cash used in financing activities	<u>(181,432)</u>	<u>(80,995)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	425,462	(14,969)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>315,293</u>	<u>330,262</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 740,755</u>	<u>\$ 315,293</u>

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

(Concluded)

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

The entities that are required to be included in the consolidated financial statements of Lee Chi Enterprises Company Ltd. as of and for the year ended December 31, 2022, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards 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 of Lee Chi Enterprises Company Ltd. and Subsidiaries. Consequently, we did not prepare a separate set of combined financial statements.

Very truly yours,

Lee Chi Enterprises Company Ltd.

By:

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Lin, Yu-Hsin  
President

March 15, 2023

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Lee Chi Enterprises Company Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of Lee Chi Enterprises Company Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. 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 identified in the Group's consolidated financial statements for the year ended December 31, 2022 is stated as follows:

## Revenue Recognition

The Company's operating revenue mainly comes from the manufacturing and sale of bicycle components. The operating revenue significantly increased due to the changes in market demand for bicycle components in 2022 compared to the previous year. However, the revenue from specific customers was significant to the overall operating revenue. We identified the validity of recognition of the revenue from specific customers as a key audit matter. For the accounting policy on the revenue recognition, refer to Note 4 to the consolidated financial statements.

The main audit procedures that we performed in respect of revenue from the specific customers included the following:

1. We evaluated the design and implementation of the related internal controls on revenue recognition and tested the operating effectiveness of the related controls.
2. We selected samples from the specific customers' subsidiary ledger of sales revenue, to verify related documents and receipts of payment and to confirm the validity of revenue recognition.

## **Other Matter**

We have also audited the parent company only financial statements of Lee Chi Enterprises Company Ltd. as of and for the years ended December 31, 2022 and 2021 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 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 the audit committee, are responsible for overseeing the Group's financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient 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 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, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Li-wei Liu and Ting-Chien Su.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 15, 2023

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.*



# LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,213,645	22	\$ 669,077	12
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	206,842	4	192,929	3
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	58,678	1	75,962	1
Financial assets at amortized cost - current (Notes 4 and 9)	-	-	86,900	2
Notes receivable (Notes 4, 10 and 19)	110,614	2	109,076	2
Trade receivables (Notes 4, 10 and 19)	903,358	17	1,291,341	23
Other receivables (Note 4)	3,152	-	25,875	-
Current tax assets (Note 4)	3,392	-	3,459	-
Inventories (Notes 4 and 11)	1,380,778	25	1,569,665	28
Other current assets	29,525	1	48,887	1
Total current assets	<u>3,909,984</u>	<u>72</u>	<u>4,073,171</u>	<u>72</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	39,157	1	75,093	1
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	69,343	1	81,401	1
Financial assets at amortized cost - non-current (Notes 4, 9 and 27)	6,082	-	27,734	-
Property, plant and equipment (Notes 4 and 13)	1,197,534	22	1,175,687	21
Right-of-use assets (Notes 4 and 14)	47,903	1	51,705	1
Other intangible assets (Notes 4 and 15)	33,173	1	36,237	1
Goodwill (Note 4)	56,012	1	50,484	1
Deferred tax assets (Notes 4 and 21)	36,669	1	54,373	1
Net defined benefit assets - non-current (Notes 4 and 17)	10,884	-	-	-
Other non-current assets (Note 4)	19,477	-	53,737	1
Total non-current assets	<u>1,516,234</u>	<u>28</u>	<u>1,606,451</u>	<u>28</u>
<b>TOTAL</b>	<u>\$ 5,426,218</u>	<u>100</u>	<u>\$ 5,679,622</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Trade payables	\$ 498,311	9	\$ 1,045,584	19
Other payables (Note 16)	267,112	5	314,544	6
Current tax liabilities (Note 4)	133,794	2	79,134	1
Lease liabilities - current (Notes 4 and 14)	2,904	-	2,765	-
Deferred revenue - current (Notes 4 and 16)	20,814	-	20,511	-
Other current liabilities (Notes 4, 16 and 19)	30,241	1	50,975	1
Total current liabilities	<u>953,176</u>	<u>17</u>	<u>1,513,513</u>	<u>27</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 21)	131,538	3	130,423	2
Lease liabilities - non-current (Notes 4 and 14)	7,766	-	10,697	-
Deferred revenue - non-current (Notes 4 and 16)	167,085	3	185,303	3
Net defined benefit liabilities - non-current (Notes 4 and 17)	-	-	36,362	1
Guarantee deposits	132	-	130	-
Total non-current liabilities	<u>306,521</u>	<u>6</u>	<u>362,915</u>	<u>6</u>
Total liabilities	<u>1,259,697</u>	<u>23</u>	<u>1,876,428</u>	<u>33</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Ordinary shares	2,256,850	42	2,278,250	40
Capital surplus	67,084	1	64,235	1
Retained earnings				
Legal reserve	328,978	6	284,080	5
Special reserve	99,652	2	123,882	2
Unappropriated earnings	1,446,017	26	1,044,799	19
Other equity	(121,257)	(2)	(99,652)	(2)
Treasury shares	(20,676)	-	(39,227)	(1)
Total equity attributable to owners of the Company	<u>4,056,648</u>	<u>75</u>	<u>3,656,367</u>	<u>64</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>109,873</u>	<u>2</u>	<u>146,827</u>	<u>3</u>
Total equity	<u>4,166,521</u>	<u>77</u>	<u>3,803,194</u>	<u>67</u>
<b>TOTAL</b>	<u>\$ 5,426,218</u>	<u>100</u>	<u>\$ 5,679,622</u>	<u>100</u>

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

# LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 19)	\$ 5,084,564	100	\$ 4,879,953	100
OPERATING COSTS (Notes 11 and 20)	<u>4,079,617</u>	<u>80</u>	<u>3,965,720</u>	<u>81</u>
GROSS PROFIT	<u>1,004,947</u>	<u>20</u>	<u>914,233</u>	<u>19</u>
OPERATING EXPENSES (Note 10)				
Selling and marketing expenses	156,096	3	161,382	3
General and administrative expenses	182,765	4	214,725	5
Research and development expenses	69,088	1	72,430	2
Expected credit loss (gain) (Notes 4 and 10)	<u>(957)</u>	<u>-</u>	<u>10,163</u>	<u>-</u>
Total operating expenses	<u>406,992</u>	<u>8</u>	<u>458,700</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>597,955</u>	<u>12</u>	<u>455,533</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES (Note 4)				
Finance costs	(343)	-	(205)	-
Interest income (Note 20)	8,114	-	8,866	-
Dividend income	11,824	-	7,774	-
Other income (Notes 16 and 20)	61,670	1	77,000	2
Gain (loss) on fair value changes of financial assets and liabilities at fair value through profit or loss	(57,425)	(1)	101,894	2
Other expenses (Note 20)	(35,787)	-	(1,302)	-
Foreign exchange gain (loss), net (Note 20)	<u>113,847</u>	<u>2</u>	<u>(46,949)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>101,900</u>	<u>2</u>	<u>147,078</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	699,855	14	602,611	12
INCOME TAX EXPENSE (Notes 4 and 21)	<u>144,650</u>	<u>3</u>	<u>108,588</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>555,205</u>	<u>11</u>	<u>494,023</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				

(Continued)

# LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
Remeasurement of defined benefit plans (Note 17)	\$ 37,383	1	\$ (1,821)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(24,439)	(1)	40,000	1
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 21)	(7,477)	-	364	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Note 18)	<u>(705)</u>	<u>-</u>	<u>(5,096)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>4,762</u>	<u>-</u>	<u>33,447</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 559,967</u>	<u>11</u>	<u>\$ 527,470</u>	<u>11</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 568,713	11	\$ 447,359	9
Non-controlling interests	<u>(13,508)</u>	<u>-</u>	<u>46,664</u>	<u>1</u>
	<u>\$ 555,205</u>	<u>11</u>	<u>\$ 494,023</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 578,921	11	\$ 473,215	10
Non-controlling interests	<u>(18,954)</u>	<u>-</u>	<u>54,255</u>	<u>1</u>
	<u>\$ 559,967</u>	<u>11</u>	<u>\$ 527,470</u>	<u>11</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 2.55</u>		<u>\$ 2.00</u>	
Diluted	<u>\$ 2.53</u>		<u>\$ 2.00</u>	

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

(Concluded)

**LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company(Note 18)										
	Share Capitals	Capital Surplus	Retained Earnings			Other Equity		Treasury Shares	Total	Non-controlling Interests (Note 12)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income (Note 4)				
BALANCE AT JANUARY 1, 2021	\$ 2,278,250	\$ 64,235	\$ 265,642	\$ 135,847	\$ 680,443	\$ (132,855)	\$ 8,972	\$ (39,227)	\$ 3,261,307	\$ 106,072	\$ 3,367,379
Appropriation of 2020 earnings											
Legal reserve	-	-	18,438	-	(18,438)	-	-	-	-	-	-
Special reserve reversed	-	-	-	(11,965)	11,965	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(78,155)	-	-	-	(78,155)	-	(78,155)
Net profit for the year ended December 31, 2021	-	-	-	-	447,359	-	-	-	447,359	46,664	494,023
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(1,457)	(5,246)	32,559	-	25,856	7,591	33,447
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	445,902	(5,246)	32,559	-	473,215	54,255	527,470
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(13,500)	(13,500)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	3,082	-	(3,082)	-	-	-	-
BALANCE AT DECEMBER 31, 2021	2,278,250	64,235	284,080	123,882	1,044,799	(138,101)	38,449	(39,227)	3,656,367	146,827	3,803,194
Appropriation of 2021 earnings											
Legal reserve	-	-	44,898	-	(44,898)	-	-	-	-	-	-
Special reserve reversed	-	-	-	(24,230)	24,230	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(178,640)	-	-	-	(178,640)	-	(178,640)
Net profit (loss) for the year ended December 31, 2022	-	-	-	-	568,713	-	-	-	568,713	(13,508)	555,205
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	29,906	(705)	(18,993)	-	10,208	(5,446)	4,762
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	598,619	(705)	(18,993)	-	578,921	(18,954)	559,967
Cancelation of treasury shares	(21,400)	2,849	-	-	-	-	-	18,551	-	-	-
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	1,907	-	(1,907)	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(18,000)	(18,000)
BALANCE AT DECEMBER 31, 2022	\$ 2,256,850	\$ 67,084	\$ 328,978	\$ 99,652	\$ 1,446,017	\$ (138,806)	\$ 17,549	\$ (20,676)	\$ 4,056,648	\$ 109,873	\$ 4,166,521

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

# LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 699,855	\$ 602,611
Adjustments for:		
Depreciation expenses	172,484	165,747
Amortization expenses	4,496	4,222
Expected credit loss recognized (reversed) on trade receivables	(957)	10,163
Net loss (gain) on fair value changes of financial assets designated at fair value through profit or loss	57,425	(101,894)
Finance costs	343	205
Interest income	(8,114)	(8,866)
Dividend income	(11,824)	(7,774)
Gain on disposal of property, plant and equipment	(476)	(541)
Gain on disposal of investment	-	(754)
Write-down of inventories	850	322
Net loss (gain) on foreign currency exchange	1,790	8,964
Deferred revenue	(20,998)	(47,270)
Recognition (reversal) of provisions	(2,766)	2,115
Changes in operating assets and liabilities		
Notes receivable	(454)	40,265
Trade receivables	393,612	(316,864)
Other receivables	11,171	5,210
Inventories	199,825	(734,534)
Other current assets	21,371	(19,706)
Trade payables	(554,861)	295,648
Other payables	(48,164)	74,474
Provisions	(386)	(1,309)
Other current liabilities	(17,659)	(4,285)
Net defined benefit assets / liabilities	(9,863)	(9,438)
Cash (used in) generated from operations	886,700	(43,289)
Interest received	19,867	4,713
Dividends received	11,824	7,774
Interest paid	(343)	(205)
Income tax paid	(78,668)	(2,653)
Net cash generated from (used in) operating activities	<u>839,380</u>	<u>(33,660)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(465)	(11,026)
Proceeds from sale of financial assets at fair value through other comprehensive income	4,367	13,241
Proceeds from return of capital from financial assets at fair value through other comprehensive income	1,558	3,094
Purchase of financial assets at amortized cost	-	(4,376)
Proceeds from sale of financial assets at amortized cost	110,650	25,455

(Continued)

# LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Purchase of financial assets at fair value through profit or loss	\$ (1,674,501)	\$ (1,347,867)
Proceeds from sale of financial assets at fair value through profit or loss	1,639,636	1,633,509
Payments for property, plant and equipment	(82,353)	(73,562)
Proceeds from disposal of property, plant and equipment	1,222	2,395
Increase in refundable deposits	(28)	(26)
Decrease in refundable deposits	21	99
Payments for intangible assets	(1,311)	(2,108)
Increase in prepayments for equipment	<u>(68,919)</u>	<u>(78,120)</u>
Net cash generated from (used in) investing activities	<u>(70,123)</u>	<u>160,708</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of the principal portion of lease liabilities	(2,792)	(2,840)
Dividends paid to owners of the Company	(178,640)	(78,155)
Dividends paid to non-controlling interests	<u>(18,000)</u>	<u>(13,500)</u>
Net cash used in financing activities	<u>(199,432)</u>	<u>(94,495)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(25,257)</u>	<u>3,795</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	544,568	36,348
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>669,077</u>	<u>632,729</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,213,645</u>	<u>\$ 669,077</u>

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

(Concluded)

## Lee Chi Enterprises Co., Ltd. 2023 Annual General Meeting

### List of Director (including Independent Director) Candidates

No.	1	2
Candidate Type	Director	Director
Name	Lin, Yu-Hsin	Lin, Yi-Hsien
Education	Carnegie Mellon University Electrical and computer engineering Master in electronic engineering	Department of Accounting, National Taiwan University
Experiences	President of Lee Chi Enterprises Co., Ltd.	Vice President of Lee Chi Enterprises Co., Ltd.
Current Positions	President of Lee Chi Enterprises Co., Ltd.	Vice President of Lee Chi Enterprises Co., Ltd.
Shares held during share transfer suspension period	13,298,760	9,190,036

No.	3	4
Candidate Type	Director	Director
Name	Representative of Ko Fu Investment Co., Ltd.: Chu, Ming-Yang	Representative of Ko Fu Investment Co., Ltd.: Lee, Yu-Cheng
Education	Department of Industrial Engineering, Feng Chia University	Department of Financial and Economic Law, Chung Yuan Christian University
Experiences	Senior Manager of Lee Chi Enterprises Co., Ltd.	1. Head of the Legal Affairs Section of Lee Chi Enterprises Co., Ltd. 2. Head of the President's Office of Lee Chi Enterprises Co., Ltd. 3. Land administration agent, real estate agent
Current Positions	Senior Manager of Lee Chi Enterprises Co., Ltd.	Manager of the Management Department and Spokesperson of Lee Chi Enterprises Co., Ltd.
Shares held during share transfer suspension period	1,407,000	1,407,000

No.	5	6
Candidate Type	Independent Director	Independent Director
Name	Chen, Kuei-Tuan	Chen, Yung-Hsueh
Education	PhD in Economic Law, China University of Political Science and Law, Master of Public Finance, National Chengchi University	Department of Law, National Taiwan University
Experiences	<ol style="list-style-type: none"> <li>1. Professor, Head of the Accounting Department, Director of the Graduate Institute of Accounting and Taxation and Director of the Corporate Governance Research Center at Feng Chia University</li> <li>2. Legislative assistant in the Budget Group of the Legislative Consultation Center of the Legislative Yuan</li> <li>3. Adjunct Professor in the Graduate Institutes of Accounting of National Chung Hsing University, Tunghai University and Providence University</li> </ol>	<ol style="list-style-type: none"> <li>1. Senior Manager of Asian Banks,</li> <li>2. Vice President of DBS Bank</li> </ol>
Current Positions	<ol style="list-style-type: none"> <li>1. Certified Public Accountant at EnWise CPAs &amp; Co.</li> <li>2. Independent Director of CHC Healthcare Group</li> <li>3. Director of Swancor International Investment Holdings Co., Ltd.</li> <li>4. Independent Director of Chumpower Machinery Corporation</li> <li>5. Supervisor of Feng Chia University, Director of Central Taiwan University of Science and Technology</li> <li>6. Member of the Remuneration Committee and the Audit Committee of Lee Chi Enterprises Co., Ltd.</li> </ol>	Member of the Remuneration Committee and the Audit Committee of Lee Chi Enterprises Co., Ltd.
Shares held during share transfer suspension period	0	40,462



No.	7
Candidate Type	Independent Director
Name	Ma, Hui-Chen
Education	Department of Accounting, National Taiwan University
Experiences	<ol style="list-style-type: none"> <li>1. KPMG Audit Assistant Manager</li> <li>2. Assistant Manager of COTA Commercial Bank</li> <li>3. Director and Supervisor of Shih-Kuen Plastic Co., Ltd.</li> <li>4. Director of Jie-Ya Co., Ltd.</li> </ol>
Current Positions	<ol style="list-style-type: none"> <li>1. Chief Operating Officer of Eternal On CPAs</li> <li>2. Member of the Remuneration Committee and the Audit Committee of Lee Chi Enterprises Co., Ltd.</li> </ol>
Shares held during share transfer suspension period	0

# Lee Chi Enterprises Co., Ltd.

## Articles of Incorporation

### Chapter I General Provisions

Article 1: The Company is organized in accordance with the Company Act in the name, Lee Chi Enterprises Co., Ltd.

Article 2: The business to be operated by the Company is as follows:

- (I) Manufacturing, processing and trading of parts for automobiles, motorcycles and bicycles.
- (II) Manufacturing, processing, and trading of general machinery.
- (III) Surface treatment, manufacturing, processing and trading of metal products such as blasting and grinding (sandblasting treatment), surface polishing, electroplating, electrophoresis, anodizing, chemical conversion coating, anti-rust treatment, gloss finishing and surface coating, baking varnish, etc.
- (IV) JZ99050 Agency services.
- (V) F105010 Wholesale of furniture.
- (VI) F106010 Wholesale of hardware.
- (VII) F106030 Wholesale of molds.
- (VIII) F107010 Wholesale of paints, coating and varnishes.
- (IX) F107100 Wholesale of chemical materials.
- (X) F107140 Wholesale of raw plastic material.
- (XI) F107170 Wholesale of industrial catalyst.
- (XII) F109010 Wholesale of books.
- (XIII) F109020 Wholesale of stationery.
- (XIV) F112040 Wholesale of petrochemical fuel products.
- (XV) F113010 Wholesale of machinery.
- (XVI) F113050 Wholesale of computers and clerical machinery equipment.
- (XVII) F113070 Wholesale of telecom instruments.
- (XVIII) F118010 Wholesale of computer software.
- (XIX) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3: The headquarters of the Company is located in Changhua County, Taiwan. The Company may establish branches or subsidiaries in Taiwan or overseas as the

Company may require upon resolution by the board of directors.

Article 4: Public announcements of the Company shall be made according to Article 28 of the Company Act.

Article 5: The Company's investment in other businesses is not restricted by the total investment amount value as stipulated in the Company Act. However, for long-term equity investment, approval of the board of directors is required.

## **Chapter II Shares**

Article 6: The registered capital of the Company is NT\$2,368,240,070, divided into 236,824,007 shares. The board of directors is authorized to issue the shares in installment. The value of each share is NT\$ 10. Taiwan Depository & Clearing Corporation may request the Company to issue a large denomination of securities for substitution due to a merger.

Article 7: The Company's shares shall be in registered form, and shall bear the signatures or personal seals of at least three directors, and be issued upon certification in accordance with the law. The Company may issue shares without certificates, and such shares shall be registered with a central securities depository.

Article 8: The Company's shares shall be handled in accordance with the "Regulations Governing the Administration of Shareholder Service of Public Companies" prescribed by the competent authority except where otherwise provided by law, regulation, or guideline.

Article 9: No registration of transfer of shares shall be made within 60 days prior to an annual shareholder meeting, nor within 30 days prior to a special (extraordinary) shareholder meeting, nor within 5 days prior to the day on which dividend, bonus or other benefits is scheduled to be paid by the Company.

## **Chapter III Shareholder Meetings**

Article 10: A shareholders' meeting may be recognized as an annual and extraordinary general meeting. An annual general meeting shall be called once a year within six months after the closing of each fiscal year, and a notice shall be sent to each shareholder no later than 30 days prior to the scheduled meeting date by the board of directors. An extraordinary general meeting may be called when necessary, and a notice shall be sent to each shareholder 15 days prior to the scheduled meeting date.

Article 11: A shareholder may appoint a proxy to attend a shareholders' meeting in

his/her/its behalf by executing a power of attorney stating therein the scope of power authorized to the proxy. With the exception of a trust enterprise or a shareholder services agent approved by the competent authority in charge of securities affairs, when a person is concurrently appointed as a proxy by two or more shareholders, the voting rights represented by the proxy may not exceed three percent of the voting rights represented by the total number of issued shares. If the aforesaid percentage is exceeded, the voting rights in excess of the aforesaid percentage shall not be included in the calculation.

Article 12: Each share of the Company held by shareholders is entitled to one voting right, but where circumstances specified in Article 179 of the Company Act apply, it shall be non-voting shares.

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 chairperson of the meeting. The minutes of the meeting, the attendance list bearing the signatures of shareholders present at the meeting and the powers of attorney of the proxies shall be kept by the Company, in accordance with Article 183 of the Company Act.

#### **Chapter IV Directors and Audit Committee**

Article 15: The board of directors of the Company shall have 5 to 9 directors, including at least 3 independent directors, where the number shall not be less than one-fifth of the total number of directors. The term of office shall be three years, and re-election shall be permissible. A candidates nomination system shall be adopted for the election of the directors in accordance with Article 192-1 of the Company Act, and the shareholders shall elect the directors from among the nominees listed. The professional qualifications, restrictions on shareholding and concurrent positions held, and other related matters, shall comply with the applicable laws and regulations prescribed by the competent authority.

Article 16: The directors shall form the board of directors, and the board shall elect a chairman from among the directors by a majority vote at a meeting attended by over two-thirds of the directors. The chairman of the board shall externally represent the Company.

Article 17: In case the chairman is on leave or unable to exercise his power and authority for any cause, his representative shall be appointed pursuant to Article 208 of the Company Act.

Article 18: The board of directors is authorized to determine the compensations for all directors based on the degree of their participation in and contribution to the operations of the Company, and referred at a rate not exceeding the general practices in the industry. The board of directors may claim transportation expenses based on actual expenditure. The board of directors shall, in accordance with Articles 23, distribute remuneration in the event of profits.

Article 19: The duties of the board of directors are as follows:

The Company's business policy and other material issues shall be determined by the board of directors. In the event of an emergency or as requested by a majority of the directors, the meeting may be convened by the chairman. If a director is unable to attend the board meeting in person, he or she may appoint another director as his or her representative. Unless otherwise provided for in the Company Act and the Articles of Incorporation, 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. The minutes of the meeting shall be affixed with the signature or seal of the chairperson of the meeting and shall be kept by the Company. 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.

Article 19-1: The Company may purchase liability insurances for its directors to lower the risk of lawsuits filed by shareholders or other stakeholders as a result of performing their duties in accordance with the laws and regulations.

Article 19-2: In calling a meeting of the board of directors, a notice shall set forth therein the subject(s) to be discussed at the meeting, and be given to each director no later than seven days prior to the scheduled meeting date. In the case of emergency, a meeting of the board of directors may be convened at any time. The notices mentioned in the preceding paragraph may be served in writing, or by fax or email.

## **Chapter V Managers and Other Employees**

Article 20: The Company may have one or more managerial personnel to conduct all the business of the Company in accordance with the policies set forth in the

resolutions of the board of directors. Appointment and discharge and the remuneration of the managerial personnel shall be decided in accordance with the Company Act.

Article 21: The appointment and removal of the Company's president, vice president and senior manager (include) and above shall be decided by the board of directors. The appointment and removal of other employees shall be decided by the president and submitted to the chairman for approval.

#### **Chapter VI: Accounting**

Article 22: After the close of each fiscal year, the board of directors shall submit the business report, financial statements, and proposal for earnings distribution or appropriation for deficits to the general meeting of shareholders for its ratification.

Article 23: If the Company has gained profits within a fiscal year, 2% to 10% of the profits shall be reserved as the employees compensation, and the board of directors shall decide whether to distribute in the form of shares or in cash. The compensation applies to employees of parents or subsidiaries of the Company meeting certain specific requirements. The Company may, upon resolution by the board of directors, reserve not more than 2% of the above profit as directors compensation. Proposals for the distribution of employees' compensation and directors remuneration shall be submitted to the shareholders' meeting. In case of accumulated loss, the Company shall reserve a specific amount to make up for losses before distributing employees and directors compensation according to aforementioned ratios.

Article 23-1: If earnings are found after closing the fiscal year, the Company shall first pay income taxes and make up for any accumulated losses and then report 10% as statutory surplus reserve. However, when the statutory surplus reserve has reached the level of paid-in capital of the Company, the Company no longer has to report such reserve, and the rest could be reported or reversed into special surplus reserve. If undistributed earnings is still exist, it will be combined with accumulated undistributed earnings and the board will propose an earnings distribution motion and ask the shareholders meeting to resolve the shareholders dividend proposal. The Company's dividend policy shall be in line with its current and future development plan, taking into consideration the investment environment, capital requirements, domestic and overseas competition, and the

interests of shareholders. Distributable earnings may be distributed as dividend and bonus per year, in the form of cash or shares, and the cash dividend shall not be less than 10% of total dividend. However, stock dividend shall be distributed instead if cash dividend is less than NT\$0.50 per share. However, the type and ratio of earnings distribution shall be adjusted based on the resolution adopted at the shareholders' meeting according to the actual profit and capital status of the Company for the current year.

## **Chapter VII Additional Provisions**

Article 24: Matters not covered in the Articles of Incorporation shall be handled in accordance with the provisions of the Company Act and other relevant laws and regulations.

Article 25: These Articles of Incorporation were formulated on April 10, 1973.

The 1st amendment was made on May 5, 1973,

the 2nd amendment on January 20, 1976,

the 3rd amendment on June 6, 1979,

the 4th amendment on July 10, 1981,

the 5th amendment on November 6, 1983,

the 6th amendment on December 15, 1985,

the 7th amendment on February 17, 1986,

the 8th amendment on November 18, 1989,

the 9th amendment on April 9, 1990,

the 10th amendment on October 28, 1990,

the 11th amendment on May 19, 1992,

the 12th amendment on December 30, 1992,

the 13th amendment on July 31, 1993,

the 14th amendment on June 20, 1994,

the 15th amendment on April 29, 1995,

the 16th amendment on June 18, 1996,

the 17th amendment on June 16, 1997,

the 18th amendment on May 14, 1998,

the 19th amendment on June 3, 1999,

the 20th amendment on May 26, 2000,

the 21st amendment on June 26, 2002,

the 22nd amendment on June 29, 2005,

the 23rd amendment on June 23, 2006,  
the 24th amendment on June 22, 2009,  
the 25th amendment on June 28, 2011,  
the 26th amendment on June 19, 2014,  
the 27th amendment on June 21, 2016,  
and the 28th amendment on June 12, 2017.

Lee Chi Enterprises Co., Ltd.

Chairman: Lin, Yu-Hsin



**Lee Chi Enterprises Co., Ltd.**  
**Rules of Procedure for Shareholder Meetings**

- Article 1: Unless otherwise required by the law, the shareholders' meeting shall be conducted in accordance with the Rules.
- Article 2: Shareholders (or proxies) shall attend shareholders meetings by wearing their attendance cards or handing in their sign-in cards.
- Article 3: 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 sign-in cards handed in plus the number of shares whose voting rights are exercised electronically.
- Article 4: Shareholders meeting shall be chaired by the chairman of the board of directors except as otherwise provided in the Company Act. When the chairman of the board is on leave or for any reason unable to exercise the powers of the chairman, the vice chairman shall act in place of the chairman; if there is no vice chairman or the vice chairman also is on leave or for any reason unable to exercise the powers of the vice chairman, the chairman shall appoint one of the 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.
- 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.
- Article 5: This Company may appoint its attorneys, certified public accountants, or related persons to attend a shareholders meeting in a non-voting capacity. Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.
- Article 6: The entire proceedings of a shareholder meeting shall be recorded on audio or video tape, and the recordings shall be preserved for at one year.
- Article 7: The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders (or proxy) 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.

Article 8: If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

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

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, a new chair may be elected by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

After the meeting is adjourned, the shareholders shall not elect another chairperson to resume such meeting at the same location or seek an alternative venue.

Article 9: (Delete).

Article 10: Before speaking, an attending shareholder (or proxy) 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. An attending shareholder (or proxy) who submits a slip of paper but does not speak at the meeting is deemed to have not spoken. In the event of any inconsistency between the contents of shareholder's speech and those recorded on the slip, the contents of shareholder's speech shall prevail. When an attending shareholder is speaking at the meeting, no other shareholder shall interrupt the speaking shareholder unless otherwise permitted by the chairperson and such speaking shareholder; the chairperson shall stop any such violations.

Article 11: Unless otherwise permitted by the chairperson, a shareholder (or proxy) may only speak, up to two times, on a single proposal, each time no more than five minutes in length. The chairman may stop the speech of any shareholder that is in violation of the preceding paragraph or exceeds the scope of the proposal.

Article 12: In the event that a juristic person is entrusted to participate in a shareholder meeting, that juristic person may appoint only one representative to participate in the meeting. If a shareholder who is a juristic person appoints two or more representatives to

attend the meeting, only one representative may speak on any given proposal.

Article 13: After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Article 14: When the chair is of the opinion that a matter has been sufficiently discussed to a degree of putting to a vote, the chair may announce the discussion closed and bring the matter to vote.

Article 15: 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. The voting results shall be announced at the meeting and recorded in writing.

Article 16: During the process of the meeting, the chairperson may announce a recess at an appropriate time.

Article 17: Except as otherwise provided under the Company Act or the Company's Articles of Incorporation, a resolution shall be adopted with the approval of more than one-half of the votes of the shareholders (or proxy). If, in the course of the vote, no objections are made by the shareholders present after inquiry by the chairperson, such proposal is deemed to be adopted with the same effect as if it had been adopted through a voting process.

Article 18: When there is an amendment or an alternative to a proposal, the chair shall decide the order in which they will be put to a vote. When one among them is duly resolved, other issue(s) is (are) deemed to have been vetoed and no voting process is required.

Article 19: The chair may direct patrol personnel (or security personnel) to assist in maintaining the order of the meeting. When proctors (or security personnel) help maintain order at the meeting place, they shall wear an identification card or armband.

Article 20: Matters not covered in the Articles of Incorporation shall be handled in accordance with the Company Act and other relevant laws and regulations.

Article 21: These Rules and any amendments hereof shall be put into enforcement after being resolved at the shareholder meeting.

## **Lee Chi Enterprises Co., Ltd.**

### **Rules for Election of Directors**

- Article 1: The election of the Directors of Lee Chi Enterprises Co., Ltd. (the “Company”) shall comply with the Rules for Election of Directors (the “Rules”)
- Article 2: The cumulative voting method shall be used for election of the directors at this Company. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates. The board of directors shall prepare ballots in number equal to the directors to be elected and distribute them to shareholders present at the shareholders’ meeting.
- Article 3: Elections of directors at this Company shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 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. Those receiving ballots representing the highest numbers of voting rights will be elected directors or independent directors sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.
- Article 4: At the beginning of the election, the chair shall appoint several persons each to check and record the ballots.
- Article 4-1: The ballot boxes for the election of directors and supervisors shall be prepared by the board of directors and publicly checked by the vote monitoring personnel before voting commences.
- Article 5: Election ballots shall be issued by the board of directors, numbered according to the attendance card number and noted with the number of votes.
- Article 6: If the candidate is a shareholder of this Company, voters shall fill in the "candidate" column the candidate’s name and shareholder’s number. If the candidate is not a shareholder of this Company, voters shall fill in the "candidate" column the candidate’s name and ID number. If the candidate is a government agency or a legal entity, voters shall fill in the "candidate" column the name of the government agency

or the legal entity, and may also fill in the name of the government agency or the legal entity and the name of their representative; should the government agency or the legal entity have multiple representatives, the names of their representatives shall be filled in respectively.

Article 7: A ballot shall be deemed void under the following conditions:

- (I) The ballot was not prepared as specified in these Rules.
- (II) A blank ballot is placed in the ballot box.
- (III) The writing is unclear and indecipherable or has been altered.
- (IV) When the candidate is a shareholder of the Company, the name or shareholder's number of the candidate filled in the ballot is inconsistent with the shareholders' register. When the candidate is not a shareholder of this Company, the name or ID number of the candidate filled in the ballot is incorrect.
- (V) Other words or marks are entered in addition to the name and shareholder's number or ID number of the candidate.
- (VI) When the name of the candidates filled in the ballots is the same as another candidate's name, the respective shareholder's numbers (ID numbers) are not indicated to distinguish them
- (VII) Two or more candidates are entered in the same ballot.

Article 8: The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation shall be announced by the chair on the site.

Article 9: This Company shall issue notifications to each of the elected directors.

Article 10: Matters not stipulated in these Rules shall be handled in accordance with the Company Act and relevant laws and regulations.

Article 11: These rules and any revision thereof shall become effective after approval at the shareholders' meeting

**The impact of stock dividend issuance on business performance, EPS, and shareholder return rate: not applicable**

**Lee Chi Enterprises Co., Ltd.  
Shareholding of Directors and Independent Directors**

I. Details of minimum required combined shareholding of all directors and supervisors by laws, and shareholdings as per the shareholders register:

April 23, 2023

Title	Required shareholding	Number of shares registered on the shareholder register (exclude independent directors)
Director	12,000,000 shares	23,895,796 shares

Description: As the Company has set up an Audit Committee, the provisions on the shareholding of supervisors shall not apply.

II. Details of shareholding of directors and independent directors

April 23, 2023

Title	Name	Number of shares registered on the shareholder register	Note
Director	Lin, Yu-Hsin	13,298,760 shares	
Director	Lin, Yi-Hsien	9,190,036 shares	
Director	Ko Fu Investment Co., Ltd. Representative: Chu, Ming-Yang Representative: Lin, Chung-Ying	1,407,000 shares	
Independent Director	Chen, Yung-Hsueh	40,462 shares	
Independent Director	Chen, Kuei-Tuan	0 share	
Independent Director	Ma, Hui-Chen	0 share	

Share transfer suspension period: From April 23, 2023 to June 21, 2023.