

**Stock No.: 3611**

** TSC Auto ID Technology Co., Ltd.**

**2022 Annual shareholders' Meeting Minutes**

(Translation)

(This translated document is prepared in accordance with the Chinese version and is for reference only. In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.)

# **TSC Auto ID Technology Co., Ltd.**

## **Minutes of the 2022 Annual Shareholders' Meeting**

Time: 09:00 a.m., June 17, 2022

Location: No. 35, Sec. 2, Ligong 1st Rd., Chengxing Village, Wujie Township, Yilan County (Yilan Factory)

Attendance: The total issued shares of the Company was 42,476,940 shares and the number of shares held by shareholders attending in person and by proxy was 29,071,171 shares (of which 27,804,206 shares were held by electronic voting), representing 68.43% of the total issued shares. Therefore, the number of shares present was in compliance with the requirements stipulated in the Company Act and the Company's Articles of Incorporation.

Directors invited to attend: Wang Shiu Ting, Wang Hsing Lei, Luo Yue Gui  
(Corporate Representative of Taiwan Semiconductor Manufacturing Co., Ltd.)

Independent Director: Ma Chia Ying, Li Chun Chi

Deloitte Taiwan: CPA Lin Wen Qin

Lee and Li, Attorneys-at-Law: David Tien, Esq.

Head of Finance: Huang Zhen Fang

Chair: Wang Shiu Ting, Chairman

Recorded by: Chung Chia Chun

Agenda:

**I. Call Meeting to Order:** The number of shares present has reached the quorum; therefore, the meeting is called to order.

**II. Chairperson's Address:** (Omitted)

**III. Report Items:**

Proposal I: The Company's Business Report for 2021.

Explanation: Please refer to Appendix I for Business Report.

Proposal II: Audit Committee's Review Report.

Explanation: Please refer to Appendix II for the Audit Committee's Review Report.

Proposal III: Report on the Compensation Distribution for Employees and Directors for 2021.

Proposal IV: Amendments to the "Corporate Social Responsibility Code of Conduct" of the Company.

**IV. Matters for Ratification Proposals:**

Proposal I

Proposed by the Board of Directors

Proposal: Acknowledgment of the Company's 2021 business report and financial statements

Explanation: I. The 2021 Standalone Financial Statements and Consolidated Financial Statements have been approved by the board of directors, and were audited by independent auditors, Lin Wen Qin and Fan You Wei of Deloitte & Touche. In addition, the Business Report, Standalone Financial Statements and Consolidated Financial Statements were certified by the Audit Committee, and a written review report has been issued.

II. Please refer to Appendix I and III for the various forms of this proposal.

III. Please review and ratify.

Resolution: The voting results of this proposal is as follows:

Shares present at the time of voting: 29,071,171

Voting result	Percentage of voting shares held by shareholders present %
Votes in favor: 28,914,232 (including 27,685,987 votes casted in electronic form)	99.46%
Votes against: 1,221 (including 1,221 votes casted in electronic form)	0.00%
Invalid votes: 0	0.00%
Votes abstained/no votes: 155,718 (including 116,998 votes casted in electronic form)	0.53%

[This proposal was adopted after voting.]

Proposal II

Proposed by the Board of Directors

Proposal: Acknowledgment of the Company's 2021 earnings appropriation

Explanation: I. The Company's net income for 2021 are NT\$784,485,606, adding the unappropriated retained earnings for the previous years, the legal reserve and the remeasurement of the defined benefit plan recognized in retained earnings, the total earnings available for distribution amounts is NT\$2,035,238,522. It is

proposed that the Company distribute cash dividends to shareholders in the amount of NT\$467,246,340 (estimated NT\$11 cash dividends per share).

- II. Please refer to Appendix IV for the proposed earnings distribution table and explanatory notes.
- III. It is proposed that the board of directors be authorized with full power and authority to adjust distribution percentage if the number of outstanding shares is affected by the change in the number of shares outstanding prior to the dividend record date.
- IV. It is proposed that upon the approval of the Annual Shareholders' Meeting, the board of directors be authorized to determine the ex-dividend date and other related matters.
- V. The cash dividend distribution will be calculated to the nearest NT dollar. Fractional dividend less than NT\$1 shall be combined into other income of the Company.
- VI. Please review and ratify.

Resolution: The voting results of this proposal is as follows:

Shares present at the time of voting: 29,071,171

Voting result	Percentage of voting shares held by shareholders present %
Votes in favor: 29,029,232 (including 27,800,987 votes casted in electronic form)	99.85%
Votes against: 1,221 (including 1,221 votes casted in electronic form)	0.00%
Invalid votes: 0	0.00%
Votes abstained/no votes: 40,718 (including 1,998 votes casted in electronic form)	0.14%

[This proposal was adopted after voting.]

**V. Discussions:**

Proposal I

Proposed by the Board of Directors

Proposal: Amendments to the “Articles of Incorporation” of the Company

Explanation: I. In order to allow more flexibility in the way the Company convenes shareholders' meetings and appropriates legal reserve, the Company proposes to amend certain provisions of the "Articles of Incorporation of TSC Auto ID Technology Co., Ltd." in accordance with the amendment of Article 172-2, Paragraph 1 of the Company Act by the Ministry of Economic Affairs dated December 29, 2021 and the amendment of Article 237, Paragraph 1 of the Company Act dated August 1, 2018.

II. Please refer to Shareholders' Meeting Agenda Handbooks (pages 38 to 39) for the comparison table of the amended provisions.

III. Please discuss and resolve.

Resolution: The voting results of this proposal is as follows:

Shares present at the time of voting: 29,071,171

Voting result	Percentage of voting shares held by shareholders present %
Votes in favor: 29,029,232 (including 27,800,987 votes casted in electronic form)	99.85%
Votes against: 1,221 (including 1,221 votes casted in electronic form)	0.00%
Invalid votes: 0	0.00%
Votes abstained/no votes: 40,718 (including 1,998 votes casted in electronic form)	0.14%

[This proposal was approved after voting.]

Proposal II

Proposed by the Board of Directors

Proposal: Amendments to the "Procedures for Acquisition and Disposal of Assets" of the Company

Explanation: I. The Company proposes to amend certain provisions of the "Procedures for Acquisition and Disposal of Assets" in order to comply with the latest legal amendments and to meet the actual operational needs of the Company.

II. Please refer to Shareholders' Meeting Agenda Handbooks (pages 40 to 50) for the comparison table of the amended provisions.

III. Please discuss and resolve.

Resolution: The voting results of this proposal is as follows:

Shares present at the time of voting: 29,071,171

Voting result	Percentage of voting shares held by shareholders present %
Votes in favor: 29,029,232 (including 27,800,987 votes casted in electronic form)	99.85%
Votes against: 1,221 (including 1,221 votes casted in electronic form)	0.00%
Invalid votes: 0	0.00%
Votes abstained/no votes: 40,718 (including 1,998 votes casted in electronic form)	0.14%

[This proposal was approved after voting.]

**VI. Election:**

Proposal I

Proposed by the Board of Directors

Proposal: Director Election

Explanation: I. The term of the fifth board of directors will be ended on June 12, 2022. According to Article 15 of the Company's Articles of Incorporation, the election of the sixth board of directors shall be held to elect seven directors (including three independent directors).

II. The newly elected directors and independent directors of the sixth term shall assume office on the date of election and shall serve for a term of three years from June 17, 2022 to June 16, 2025.

III. The Company adopts a candidate nomination system for the election of directors. The shareholders shall elect the directors from among the those listed in the slate of director candidates, with independent and non-independent directors elected at the same time, but in separately calculated numbers. The slate of director and independent director candidates and related information are listed in page 14 of Shareholders' Meeting Agenda Handbooks.

IV. Please refer to Shareholders' Meeting Agenda Handbooks (page 51 to 52) for Procedures for Election of Directors.

V. Please vote.

Voting result:

Title	Account Number (ID Number)	Name	Number of votes to be elected	Remarks
Director	2	Wang Shiu Ting	24,154,601	Elected
Director	488	Wang Hsing Lei	23,883,493	Elected
Director	1	Taiwan Semiconductor Manufacturing Co., Ltd. Representative: Luo Yue Gui	22,737,939	Elected
Director	F120206***	Chen Ming I	21,544,417	Elected
Independent Director	Q102972***	Ma Chia Ying	19,126,898	Elected
Independent Director	C120257***	Li Chun Chi	18,272,064	Elected
Independent Director	4062	Lin Tuo Zhi	18,142,213	Elected

#### VII. Other Proposals:

Proposal I

Proposed by the Board of Directors

Proposal: The release of non-competition restrictions for the Company's directors

Explanation: I. As stipulated in Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.

II. The Company proposes to obtain the approval of the shareholders' meeting to release the non-competition restrictions for the Company's newly elected directors and their representatives in accordance with Article 209 of the Company Act. The list of releases and related information are as follows:

Title	Name	Company names and directorship position held concurrently
Director	Wang Shiu Ting	Taiwan Semiconductor Manufacturing Co., Ltd. - Chairman and General Manager Yangxin Everwell Electronic Co., Ltd. - Chairman (corporate representative) Tianjin Everwell Technology Co., Ltd. - Chairman (corporate representative) EVER ENERGETIC INTERNATIONAL LTD. - Chairman (corporate representative) EVER WINNER INTERNATIONAL CO., LTD. - Chairman (corporate representative) SKYRISE INT'L LTD. - Chairman (corporate representative) TAIWAN SEMICONDUCTOR JAPAN LTD. - Director (corporate representative) Tianjin TSC Auto ID Technology Co., Ltd. - Chairman (corporate representative) Printronix Auto ID Technology Co., Ltd. - Chairman (corporate representative) Shenzhen Printronix Auto ID Technology Co., Ltd. - Chairman (corporate representative) Nian Tzu Investment Co., Ltd. - Chairman
Director	Wang Hsing Lei	Taiwan Semiconductor Manufacturing Co., Ltd. - Director (corporate representative) TSC Auto ID Technology America, Inc. - Chairman (corporate representative) TSC Auto ID (HK) Ltd. - Person-in-charge (corporate representative) Tianjin Everwell Technology Co., Ltd. - Supervisor (corporate representative) Tianjin TSC Auto ID Technology Co., Ltd. - Director (corporate representative) Arthur Investment Co., Ltd. - Director Nian Tzu Investment Co., Ltd. - Director Printronix Auto ID Technology Co., Ltd. - Director (corporate representative) Shenzhen Printronix Auto ID Technology Co., Ltd. - Director (corporate representative) Printronix Auto ID Technology Inc. - Chairman (corporate representative) Taiwan Semiconductor Europe GmbH - Director (corporate representative) TSC Auto ID Technology EMEA GmbH - Director (corporate representative) Diversified Labeling Solutions Inc. - Chairman (corporate representative) Precision Press & Label, Inc. - Chairman (corporate representative) TSC Auto ID Technology India Pvt Ltd. - Chairman (corporate representative)



Title	Name	Company names and directorship position held concurrently
Director	Chen Ming I	Tianjin TSC Auto ID Technology Co., Ltd. - Director (corporate representative) Printronic Auto ID Technology Co., Ltd. - Supervisor (corporate representative) Shenzhen Printronix Auto ID Technology Co., Ltd. - Director (corporate representative)
Independent Director	Ma Chia Ying	Union Insurance Company - Director (corporate representative) Medeon Biodesign, Inc. - Independent Director RichWave Technology Corp. - Independent Director Lida Holdings Limited - Independent Director
Independent Director	Lin Tuo Zhi	Responsible person of Skymont Capital Limited

III. Please discuss and resolve.

Resolution: The voting results of this proposal is as follows:

Shares present at the time of voting: 29,071,171

Voting result	Percentage of voting shares held by shareholders present %
Votes in favor: 28,873,662 (including 27,645,417 votes casted in electronic form)	99.32%
Votes against: 19,635 (including 19,635 votes casted in electronic form)	0.06%
Invalid votes: 0	0.00%
Votes abstained/no votes: 177,874 (including 139,154 votes casted in electronic form)	0.61%

[This proposal was approved after voting.]

**VIII. Extemporary Motions: (None)**

**IX. Adjournment (Chair announced adjournment)**

## Appendix I: The Company's Business Report for 2021

The economy has recovered rapidly worldwide as we enter into the post-epidemic era in 2021, but the industrial supply chain has not been able to keep up with the demand, resulting in the material supply crisis. Moreover, the global transportation capacity shortage and port congestion have led to a surge in freight rates and container prices. But the Company adjusted its production capacity in a timely manner and increased its flexibility in product scheduling and configuration to respond to market demand quickly. Thus, the year of 2021 has been the most challenging and also a profitable year for the Company. Please refer to the following report of the Company's 2021 business results, a summary of the 2022 business plan, and descriptions of the Company's development strategy, external competitive environment, regulatory environment, and the macroeconomic environment:

I. 2021 business report: (based on the data shown in consolidated financial statements)

(I) Results of the 2021 business plan:

Unit: NT\$ thousand

Item	2021	2020	Increase (decrease) %
	Amount	Amount	
Net operating revenues	6,848,808	5,683,808	20%
Gross profits	2,275,377	2,022,823	12%
Operating profits	1,050,230	917,306	14%
Profits before tax	1,082,903	943,489	15%
Net income for the period	784,486	715,352	10%
Total comprehensive income for the period	946,510	802,177	18%
Basic EPS (NT\$)	18.47	16.84	10%

(II) 2021 budget execution: The Company did not produce a financial forecast for 2021, and hence is not required to disclose the budget execution.

(III) Revenues, expenses, and profitability analysis:

Unit: NT\$ thousand

Item		Year	2021	2020
Profit and loss	Operating profits		1,050,230	917,306
	Net non-operating income (expense)		32,673	26,183
	Profits before tax		1,082,903	943,489
	Net income		784,486	715,352
	Total comprehensive income for the period		946,510	802,177
Profitability	Return on assets (%)		11	10
	Return on shareholders' equity (%)		19	21
	As a percentage of paid-in capital (%)	Operating profit	247	216
		Pre-tax profit	255	222
	Net profit margin (%)		11	13
	Earnings per share (NT\$)		18.47	16.84

#### (IV) Research and development:

In light of increases in auto-ID applications around the world, the Company spent a total of NT\$212,892 thousand on research and development in 2021, which represented 3% of annual revenues. These expenses have been used to support research and development of next-generation products and new applications, register new patents, and finance capital spending on label production in order to launch new product for improved competitiveness and to create opportunities for the continued growth of the Company's revenues.

## II. Summary of the 2022 business plan

### (I) Operational guidelines

The Company will launch new products to secure the existing market, continue to develop complete hardware and software solutions for customers, expand marketing channels to cover the entirety of its product lines from low-, medium-, to high-end. In addition, the Company aims to grow its proprietary brand in various parts of the world and introduce smart services to the auto-ID system and providing customers with a more complete application service network to create diversified value for our customers while at the same time focusing on the upstream and downstream investment strategies to create new opportunities for the Company to grow.

### (II) Sales forecast and key production/sales policies

The revenue of the Company is mainly from the sales of Auto-ID printers, services and consumables for labels. The estimated sales volume for 2022 is as follows:

Unit: thousand pieces		
Product category	Projected sales volume - 2022	Actual sales volume - 2021
Auto-ID printers	800	700

The Company's production and sales policies, based on the aforementioned forecast, will be focusing on the key points below:

1. Ensuring the availability and quality of supplies from suppliers, and maintaining an adequate inventory level and turnover rate.
2. Enhancing distribution training in all regions for improved sales performance.
3. Continuing development of emerging and mature markets.

## III. Future development strategies, impacts of the external competitive environment, regulatory environment, and the overall business environment

### (I) Future development strategies

The Company will continue marketing products under its proprietary brand and will strive to increase market share, raise competitive advantages, optimize after-sales service, improve the quality of customer service, focus on the applications generated by the economic development and trend, expand all kinds of smart applications as the means to provide customers with more value and to win multiple growth opportunities.

### (II) Impacts of the external competitive environment

As auto-ID applications become more popular and relevant to life, the market's demand for auto-ID printing has increased. In response to the external competition that comes with increased demand, the Company will continue focusing on the development of new technologies while at the same time integrating resources,

coordinating, and forming collaborative relationships with different partners in the market to overcome external challenges. In doing so, we aim to achieve consistent growth in terms of revenues and profit.

(III) Impacts of the regulatory environment and macroeconomic environment

There has been no change in key domestic or foreign policies or laws that significantly affected the Company's operations in the last year, and the Company remains compliant with all changes in the regulatory environment.

In the future, the Company expects to further expand its vertical integration to take advantage of the growing demand as well as application of auto-ID. Driven by innovation, professionalism, and utmost respect for the business, we look forward to improving business performance and profitability to the mutual benefit of our shareholders, customers, and employees.

Chairman: Wang Shiu Ting Chief Executive Officer: Wang Hsing Lei Chief Accounting Officer: Lin Shu Juan

## **Appendix II: Audit Committee's Review Report**

### **TSC Auto ID Technology Co., Ltd. Audit Committee's Review Report**

We have reviewed the Company's 2021 business report, standalone financial statements, consolidated financial statements, and earnings appropriation proposal prepared by the board of directors. The standalone and consolidated financial statements have been audited by CPAs Lin Wen Qin and Fan You Wei of Deloitte Taiwan, to which they issued an independent auditor's report. The Audit Committee found no misstatement in the above business report, standalone financial statements, consolidated financial statements, or earnings appropriation proposal, and hereby issues its report as presented above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Yours sincerely

For

2022 annual general meeting of TSC Auto ID Technology Co., Ltd.

Audit Committee convener: Ma Chia Ying

Audit Committee member: Li Chun Chi

Audit Committee member: Wu Chi Ming

March 28, 2022

## **Appendix III: Financial Statements (including consolidated financial statements) for the year ended December 31, 2021 and Independent Auditor's Report**

### **Auditor's Audit Report**

To TSC Auto ID Technology Co., Ltd.:

#### **Audit opinions**

We have audited the standalone balance sheet as of December 31, 2021 and December 31, 2020; the standalone incomes statement from January 1 to December 31, 2021 and from January 1 to December 31, 2020; the standalone statements of changes in equity and the standalone statements of cash flows from January 1 to December 31, 2021 and from January 1 to December 31, 2020 of TSC Auto ID Technology Co., Ltd. and the notes to standalone financial statements (including the summary of major accounting policies).

Based on our audit and other auditors' audit (please refer to "Other Matters"), all material disclosures in the standalone financial statements mentioned above were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and provide fair representation of TSC Auto ID Technology Co., Ltd.'s standalone financial status as of December 31, 2021 and 2020, standalone financial performance from January 1 to December 31, 2021 and 2020, and standalone cash flows from January 1 to December 31, 2021 and 2020.

#### **Basis of audit opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing principles. Our responsibilities as auditor for the standalone financial statements under the abovementioned standards are explained in the Responsibilities paragraph. All relevant personnel of the accounting firm have followed the Norm of Professional Ethics for CPA and maintained independence from TSC Auto ID Technology Co., Ltd. when performing their duties. We believe that the evidence obtained from our audit and the audit results of other auditors provide an adequate and appropriate basis for our opinion.

#### **Key Audit Issues**

Key audit issues are matters that we considered to be the most important, based on professional judgment, when auditing the 2021 standalone financial statements of TSC Auto ID Technology Co., Ltd. These issues have already been addressed when we audited and formed our opinions on the standalone financial statements. Therefore, we do not provide opinions separately for individual issues.

Key audit issues concerning the 2021 standalone financial statements of TSC Auto ID Technology Co., Ltd. are as follows:

#### **Impairment assessment for equity-accounted investments (including goodwill)**

TSC Auto ID Technology Co., Ltd. acquired controlling interest in Printronix Auto ID Technology Inc. (referred to as PTNX US below) on January 23, 2016, and later acquired the main business activities and operating assets from Diversified Labeling Solutions, Inc. (referred to as DLS below) in January 2019. Equity-accounted investments (including goodwill) were recognized in standalone financial statements for the respective years, and the amounts are

considered material to the standalone financial statements. Impairment assessment for goodwill is explained below:

Assessment of impairment for equity-accounted investments (including goodwill) depends largely on the estimation of the recoverable amount using future operating cash flow from PTNX US and DLS (the cash-generating units). Since estimation of future operating cash flow involves the management's forecast on the performance of the industry and the Company, the assumptions used for the estimation and preparation (mainly including sales growth and operating profit margin) are prone to subjective judgment and high levels of uncertainty.

We have taken actions during our audit to address the above uncertainties, including: obtaining a goodwill impairment assessment report issued by a professional appraiser that the management had commissioned; understanding and assessing the rationality of the recoverable amount calculated from the valuation model; and evaluating the overall rationality of the aforementioned goodwill impairment assessment report after taking into consideration the assumptions used in the valuation model, such as sales growth, profit margin, and weighted average funding cost (including the risk-free rate, volatility, and risk premium), the state of the Company's operations, the state of the industry, and future outlook.

#### **Other Matters**

As narrated in Note 11 of the standalone financial statement, amongst the equity-accounted subsidiaries presented in the 2021 and 2020 standalone financial statements of TSC Auto ID Technology Co., Ltd., some had financial statements audited by other CPAs. Therefore, opinions made in the aforementioned standalone financial statements in regards to the book value of equity-accounted subsidiaries and the share of gains/losses were based on the figures recognized in audit reports prepared by other CPAs. As of December 31, 2021 and 2020, the abovementioned equity-accounted investees represented 13.38% and 13.34% respectively of the Company's standalone total assets; share of profit from the abovementioned investees in 2021 and 2020 accounted for 11.06% and 8.19% respectively of the Company's standalone pre-tax profit.

## **Responsibilities of the management and governing body of the standalone financial statements**

Responsibilities of the management were to prepare and ensure fair presentation of the standalone financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and to exercise proper internal control practices that are relevant to the preparation of the standalone financial statements so that the standalone financial statements are free of material misstatements, whether caused by fraud or error.

The governing body of TSC Auto ID Technology Co., Ltd. (including the Audit Committee) is responsible for supervising the financial reporting process.

## **Responsibilities of the auditor when auditing standalone financial statements**

The purposes of our audit were to obtain reasonable assurance of whether the standalone financial statements were prone to material misstatements, whether due to fraud or error, and to issue a report of our audit opinions. We consider assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with generally accepted auditing principles do not necessarily guarantee detection of all material misstatements within the standalone financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of users of the standalone financial statement.

When conducting audits in accordance with the generally accepted auditing principles, we exercised judgments and raised doubts as deemed professionally appropriate. We also performed the following tasks as auditor:

1. Identifying and assessing risks of material misstatement within the standalone financial statements, whether due to fraud or error; designing and executing appropriate response measures for the identified risks; and obtaining adequate and appropriate audit evidence to support audit opinions. Because fraud may involve conspiracy, forgery, intentional omission, untruthful declaration, or breach of internal control, the risk of not detecting material misstatements arising from fraud is greater than that of misstatements arising from error.
2. Developing the required level of understanding on relevant internal controls and designing audit procedures that are appropriate under the prevailing circumstances, but without providing opinions on the effectiveness of the internal control system of TSC Auto ID Technology Co., Ltd.
3. Assessing the appropriateness of accounting policies adopted by the management, and the rationality of accounting estimates and related disclosures made.
4. Forming conclusions regarding the appropriateness of management's decision to account for the business as a going concern, and whether there are doubts or uncertainties about the ability of TSC Auto ID Technology Co., Ltd. to operate as a going concern, based on the audit evidence obtained. We are obliged to remind users of the standalone financial statements and make related disclosures if uncertainties exist in regards to the abovementioned events or circumstances, and amend audit opinions when the disclosures are no longer appropriate. Our conclusions are based on the audit evidence obtained up to the date of audit report. However, future events or changes of circumstances may still render TSC Auto ID Technology Co., Ltd. no longer capable of operating as a going concern.



5. Assessing the overall presentation, structure, and contents of the standalone financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the standalone financial statements.
6. Obtaining sufficient and appropriate audit evidence on the financial information of individual entities within TSC Auto ID Technology Co., Ltd., and expressing opinions on the standalone financial statements. Our responsibilities as auditor are to instruct, supervise and execute audits and form audit opinions on TSC Auto ID Technology Co., Ltd.

We have communicated with the governing body about the scope, timing, and significant findings (including significant defects identified in the internal control) of our audit.

We have also provided the governing body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with the Norm of Professional Ethics for CPA, and communicated with the governing body on all matters that may affect the auditor's independence (including protection measures).

We have identified the key audit issues after communicating with the governing body regarding the 2021 standalone financial statements of TSC Auto ID Technology Co., Ltd. These issues have been addressed in our audit report except for topics that are prohibited by law from being disclosed to the public, or, under extreme circumstances, topics that we decided not to communicate in the audit report because of greater negative impacts they may cause than the benefits they bring to public interest.

Deloitte Taiwan  
CPA Lin Wen-Qin

CPA Fan You-Wei

Official Letter of Approval by Securities  
and Futures Commission  
Taiwan-Finance-Securities-VI-0920123784

Official Letter of Approval by Securities and  
Futures Commission  
Taiwan-Finance-Securities-VI-0920123784

March 28, 2022

TSC Auto ID Technology Co., Ltd.  
Standalone Balance Sheet  
December 31, 2021 and December 31, 2020

Unit: NT\$ thousand

Code	Asset	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
<b>Current assets</b>					
1100	Cash and cash equivalents (Note 6)	\$ 883,849	13	\$ 885,609	14
1110	Financial assets at fair value through profit or loss (Note 7)	3,061	-	934	-
1170	Notes and accounts receivable, net (Note 9)	374,060	5	260,051	4
1180	Accounts receivable – affiliated parties (Note 26)	739,074	11	713,878	12
1200	Other receivables	9,480	-	10,676	-
1210	Other receivables – affiliated parties (Note 26)	323,124	5	305,586	5
130X	Inventory (Note 10)	447,142	6	268,009	4
1470	Other current assets	1,527	-	2,613	-
11XX	Total current assets	<u>2,781,317</u>	<u>40</u>	<u>2,447,356</u>	<u>39</u>
<b>Non-current assets</b>					
1517	Financial assets at fair value through other comprehensive income (Note 8)	1,068,960	15	845,920	13
1550	Equity-accounted investments (Note 11)	2,436,780	35	2,365,444	37
1600	Property, plant and equipment (Note 12)	474,642	7	491,812	8
1755	Right-of-use assets (Note 13)	5,244	-	4,753	-
1780	Intangible assets (Note 14)	48,059	1	57,061	1
1840	Deferred income tax assets (Note 21)	116,662	2	105,104	2
1990	Other non-current assets	3,992	-	6,801	-
15XX	Total non-current assets	<u>4,154,339</u>	<u>60</u>	<u>3,876,895</u>	<u>61</u>
1XXX	Total assets	<u>\$ 6,935,656</u>	<u>100</u>	<u>\$ 6,324,251</u>	<u>100</u>
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
2100	Short-term loans (Note 15)	\$ 550,706	8	\$ 738,034	12
2120	Financial liabilities at fair value through profit or loss (Note 7)	443	-	3,235	-
2170	Accounts payable	410,105	6	289,425	5
2180	Accounts payable – affiliated parties (Note 26)	281,143	4	142,494	2
2200	Other payables (Note 16)	190,905	3	161,543	3
2220	Other accounts payable – affiliated parties (Note 26)	17,884	-	18,147	-
2230	Income tax liability during the period (Note 21)	182,379	3	150,707	2
2280	Lease liability (Note 13)	5,305	-	3,335	-
2320	Long-term liabilities due within one year (Note 15)	65,000	1	4,000	-
2399	Other current liabilities	72,258	1	31,398	-
21XX	Total current liabilities	<u>1,776,128</u>	<u>26</u>	<u>1,542,318</u>	<u>24</u>
<b>Non-current liabilities</b>					
2540	Long-term loans (Note 15)	835,000	12	1,026,000	16
2570	Deferred income tax liabilities (Note 21)	193,834	3	166,625	3
2580	Lease liability (Note 13)	2,270	-	3,005	-
2640	Net defined benefit liability (Note 17)	19,731	-	22,860	1
2670	Other non-current liabilities	20,550	-	12,228	-
25XX	Total non-current liabilities	<u>1,071,385</u>	<u>15</u>	<u>1,230,718</u>	<u>20</u>
2XXX	Total liabilities	<u>2,847,513</u>	<u>41</u>	<u>2,773,036</u>	<u>44</u>
<b>Equity (Note 18)</b>					
3110	Ordinary share capital	424,769	6	424,769	7
3200	Capital surplus	592,852	9	577,665	9
<b>Retained earnings</b>					
3310	Legal reserve	595,108	9	523,393	8
3320	Special reserve	8,597	-	8,597	-
3350	Unappropriated earnings	2,113,635	30	1,826,157	29
3300	Total retained earnings	<u>2,717,340</u>	<u>39</u>	<u>2,358,147</u>	<u>37</u>
3400	Other equity	353,182	5	190,634	3
3XXX	Total equity	<u>4,088,143</u>	<u>59</u>	<u>3,551,215</u>	<u>56</u>
Total liabilities and equity		<u>\$ 6,935,656</u>	<u>100</u>	<u>\$ 6,324,251</u>	<u>100</u>

The notes are an integral part of these standalone financial statements.  
(Please refer to the audit report issued by Deloitte Taiwan on March 28, 2022.)

Chairman: Wang Shiu-Ting

Chief Executive Officer: Wang Hsing-Lei

Chief Accounting Officer: Lin Shu-Juan

TSC Auto ID Technology Co., Ltd.  
Standalone Comprehensive Income Statement  
From January 1 to December 31, 2021 and from January 1 to December 31, 2020  
Unit: NT\$1,000 except NT\$ for earnings per share

Code		2021		2020	
		Amount	%	Amount	%
	Operating incomes (Notes 19, 26)				
4110	Revenues	\$ 3,266,229	100	\$ 2,619,995	100
	Operating costs (Notes 10, 20, 26)				
5110	Cost of goods sold	<u>2,083,861</u>	<u>64</u>	<u>1,534,545</u>	<u>58</u>
5900	Gross profits	1,182,368	36	1,085,450	42
5910	Realized gain on transactions with subsidiaries	<u>10,995</u>	<u>1</u>	<u>33,818</u>	<u>1</u>
5950	Realized gross profit	<u>1,193,363</u>	<u>37</u>	<u>1,119,268</u>	<u>43</u>
	Operating expenses (Notes 9, 20, 26)				
6100	Sales & marketing expenses	58,379	2	53,164	2
6200	Administrative expenses	174,772	5	151,412	6
6300	R&D expenses	<u>216,484</u>	<u>7</u>	<u>208,097</u>	<u>8</u>
6000	Total operating expenses	<u>449,635</u>	<u>14</u>	<u>412,673</u>	<u>16</u>
6900	Operating profits	<u>743,728</u>	<u>23</u>	<u>706,595</u>	<u>27</u>
	Non-operating incomes and expenses				
7100	Interest income (Notes 20, 26)	7,050	-	12,046	-
7190	Other incomes (Notes 20, 26)	25,835	1	27,156	1
7020	Other gains and losses (Note 20)	8,222	-	( 6,477)	-
7050	Financial cost (Note 20)	( 14,120)	( 1)	( 22,288)	( 1)
7070	Share of profit from equity-accounted subsidiaries (Note 11)	<u>218,452</u>	<u>7</u>	<u>182,684</u>	<u>7</u>
7000	Total non-operating incomes and expenses	<u>245,439</u>	<u>7</u>	<u>193,121</u>	<u>7</u>

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Code		2021		2020	
		Amount	%	Amount	%
7900	Profits before tax	\$ 989,167	30	\$ 899,716	34
7950	Income tax expenses (Note 21)	204,681	6	184,364	7
8200	Current net income	784,486	24	715,352	27
	Other comprehensive income				
	Items that are not to be reclassified to profit or loss:				
8311	Remeasurement of defined benefit plan (Note 17)	( 524 )	-	1,795	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive incomes (Note 18)	223,040	7	153,108	6
8310		222,516	7	154,903	6
	Items that may be subsequently reclassified to profit or loss:				
8361	Exchange differences on translation of financial statements of foreign operations (Note 18)	( 75,615 )	( 2 )	( 85,098 )	( 3 )
8399	Income tax components that may be reclassified (Note 21)	15,123	-	17,020	1
8360		( 60,492 )	( 2 )	( 68,078 )	( 2 )
8300	Other comprehensive income for the year (net of tax)	162,024	5	86,825	4
8500	Total comprehensive income for the year	\$ 946,510	29	\$ 802,177	31
	Earnings per share (Note 22)				
9710	Basic	\$ 18.47		\$ 16.84	
9810	Diluted	\$ 18.32		\$ 16.74	

The notes are an integral part of these standalone financial statements.  
(Please refer to the audit report issued by Deloitte Taiwan on March 28, 2022.)

Chairman: Wang Shiu Ting Chief Executive Officer: Wang Hsing Lei Chief Accounting Officer: Lin Shu Juan

TSC Auto ID Technology Co., Ltd.  
Standalone Statement of Changes in equity  
From January 1 to December 31, 2021 and from January 1 to December 31, 2020

Unit: NT\$1,000 unless otherwise indicated

Code		Share capital				Retained earnings					Other equity		Total equity	
		No. of shares (1,000)	Ordinary share capital	Advanced receipt of share capital	Total	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of financial statements of foreign operations	Unrealized gain of financial assets measured at fair value through other comprehensive incomes		Total
A1	Balance on January 1, 2020	42,437	\$ 424,369	\$ 400	\$ 424,769	\$ 568,892	\$ 447,718	\$ 8,597	\$ 1,609,454	\$ 2,065,769	( \$ 165,699 )	\$ 271,303	\$ 105,604	\$ 3,165,034
G1	Exercise of employee stock options	40	400	( 400 )	-	-	-	-	-	-	-	-	-	-
	Appropriation and distribution of 2019 earnings													
B1	Legal reserve	-	-	-	-	-	75,675	-	( 75,675 )	-	-	-	-	-
B5	Cash dividend to shareholders	-	-	-	-	-	-	-	( 424,769 )	( 424,769 )	-	-	-	( 424,769 )
D1	2020 net income	-	-	-	-	-	-	-	715,352	715,352	-	-	-	715,352
D3	2020 other comprehensive income - after tax	-	-	-	-	-	-	-	1,795	1,795	( 68,078 )	153,108	85,030	86,825
D5	Total comprehensive income of 2020	-	-	-	-	-	-	-	717,147	717,147	( 68,078 )	153,108	85,030	802,177
N1	Share-based compensation – employee stock options (Note 23)	-	-	-	-	8,773	-	-	-	-	-	-	-	8,773
Z1	Balance on December 31, 2020	42,477	424,769	-	424,769	577,665	523,393	8,597	1,826,157	2,358,147	( 233,777 )	424,411	190,634	3,551,215
	Appropriation and distribution of 2020 earnings													
B1	Legal reserve	-	-	-	-	-	71,715	-	( 71,715 )	-	-	-	-	-
B5	Cash dividend to shareholders	-	-	-	-	-	-	-	( 424,769 )	( 424,769 )	-	-	-	( 424,769 )
D1	2021 net income	-	-	-	-	-	-	-	784,486	784,486	-	-	-	784,486
D3	2021 other comprehensive income - after tax	-	-	-	-	-	-	-	( 524 )	( 524 )	( 60,492 )	223,040	162,548	162,024
D5	Total comprehensive income of 2021	-	-	-	-	-	-	-	783,962	783,962	( 60,492 )	223,040	162,548	946,510
N1	Share-based compensation – employee stock options (Note 23)	-	-	-	-	15,187	-	-	-	-	-	-	-	15,187
Z1	Balance on December 31, 2021	42,477	\$ 424,769	\$ -	\$ 424,769	\$ 592,852	\$ 595,108	\$ 8,597	\$ 2,113,635	\$ 2,717,340	( \$ 294,269 )	\$ 647,451	\$ 353,182	\$ 4,088,143

The notes are an integral part of these standalone financial statements.  
(Please refer to the audit report issued by Deloitte Taiwan on March 28, 2022.)

Chairman: Wang Shiu Ting

Chief Executive Officer: Wang Hsing Lei

Chief Accounting Officer: Lin Shu-Juan

TSC Auto ID Technology Co., Ltd.

Standalone Statement of Cash Flows

From January 1 to December 31, 2021 and from January 1 to December 31, 2020

Unit: NT\$ thousand

Code		2021	2020
	Cash flows from operating activities		
A10000	Pre-tax profit for the current period	\$ 989,167	\$ 899,716
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation	33,937	42,289
A20200	Amortization	24,001	22,542
A20300	Expected credit loss	1,476	1,903
A20900	Financial cost	14,120	22,288
A21200	Interest income	( 7,050 )	( 12,046 )
A21300	Dividend income	( 20,400 )	( 20,400 )
A21900	Cost of employee stock options	15,187	8,773
A22400	Share of profit from equity-accounted subsidiaries	( 218,452 )	( 182,684 )
A23700	Loss for market price decline and obsolete inventory (Gain from price recovery)	( 800 )	9,673
A23900	Realized gain on transactions with subsidiaries	( 10,995 )	( 33,818 )
A24100	Unrealized foreign exchange losses	5,496	4,408
A29900	Gain on lease amendment	-	( 29 )
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets designated at fair value through profit or loss	( 2,127 )	1,481
A31150	Notes and accounts receivable	( 115,252 )	( 47,363 )
A31160	Accounts receivable – affiliated parties	( 34,304 )	182,082
A31180	Other receivables	1,488	( 493 )
A31190	Other receivables – affiliated parties	5,784	45,475
A31200	Inventory	( 178,333 )	32,937
A31240	Other current assets	1,086	3,261
A32110	Financial liabilities held for trading	( 2,792 )	2,879
A32150	Accounts payable	122,513	( 30,980 )
A32160	Accounts payable – affiliated parties	140,804	( 36,011 )
A32180	Other payables	31,358	( 6,558 )
A32190	Other payables – affiliated parties	( 211 )	1,801
A32230	Other current liabilities	40,860	4,026
A32240	Net defined benefit liability	( 3,653 )	57
A32990	Other non-current liabilities	<u>8,322</u>	<u>( 12,932 )</u>
A33000	Cash inflows from operating activities	841,230	902,277

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Code		2021	2020
A33100	Interest received	\$ 6,758	\$ 12,049
A33500	Income tax paid	( <u>142,235</u> )	( <u>77,148</u> )
AAAA	Net cash flows from operating activities	<u>705,753</u>	<u>837,178</u>
	Cash flows from investing activities		
B00010	Acquisition of financial assets measured at fair value through other comprehensive incomes	-	( 76,948 )
B01800	Established equity-accounted subsidiaries	( 2,791 )	-
B02700	Purchase of property, plant and equipment	( 9,073 )	( 2,822 )
B03700	Increase in refundable deposits	( 252 )	( 209 )
B03800	Decrease in refundable deposits	4	8
B04300	Increase in other receivables – affiliated parties	( 355,295 )	( 395,248 )
B04400	Decrease in other receivables – affiliated parties	329,392	395,872
B04500	Purchase of intangible assets	( 14,999 )	( 9,974 )
B07100	Increase in equipment prepayments	( 2,436 )	( 11,405 )
B07600	Dividends received	<u>105,687</u>	<u>20,400</u>
BBBB	Net cash inflows (outflows) from investing activities	<u>50,237</u>	( <u>80,326</u> )
	Cash flows from financing activities		
C00100	Decrease in net short-term loans	( 181,287 )	( 250,673 )
C01600	Borrowing of long-term loans	300,000	970,000
C01700	Repayment of long-term loans	( 430,000 )	( 855,000 )
C04020	Repayment of lease principals	( 3,391 )	( 2,551 )
C05600	Interest paid	( 14,258 )	( 23,077 )
C05800	Cash dividends paid	( <u>424,769</u> )	( <u>424,769</u> )
CCCC	Net cash outflows from financing activities	( <u>753,705</u> )	( <u>586,070</u> )
DDDD	Currency impact on cash and cash equivalents	( <u>4,045</u> )	( <u>88</u> )
EEEE	Net increase (decrease) in cash and cash equivalents	( 1,760 )	170,694
E00100	Cash and cash equivalents at the beginning of the year	<u>885,609</u>	<u>714,915</u>
E00200	Cash and cash equivalents at the end of the year	<u>\$ 883,849</u>	<u>\$ 885,609</u>

The notes are an integral part of these standalone financial statements.  
(Please refer to the audit report issued by Deloitte Taiwan on March 28, 2022.)

Chairman: Wang Shiu Ting Chief Executive Officer: Wang Hsing Lei Chief Accounting Officer: Lin Shu Juan

## Auditor's Audit Report

To TSC Auto ID Technology Co., Ltd.:

### **Audit opinions**

We have audited the consolidated balance sheet as of December 31, 2021 and December 31, 2020; the consolidated incomes statement from January 1 to December 31, 2021 and from January 1 to December 31, 2020; the consolidated statements of changes in equity and the consolidated statements of cash flows from January 1 to December 31, 2021 and from January 1 to December 31, 2020 of TSC Auto ID Technology Co., Ltd. and its subsidiaries ("TSC Auto ID Technology Group") and the notes to consolidated financial statements (including the summary of major accounting policies).

Based on our audit and other auditors' audit (please refer to "Other Matters"), all material disclosures in the consolidated financial statements mentioned above were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards and interpretations thereof approved and promulgated by the Financial Supervisory Commission, and provide fair representation of TSC Auto ID Technology Group's consolidated financial status as of December 31, 2021 and 2020, consolidated financial performance from January 1 to December 31, 2021 and 2020, and consolidated cash flows from January 1 to December 31, 2021 and 2020.

### **Basis of audit opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing principles. Our responsibilities as auditor for the consolidated financial statements under the abovementioned standards are explained in the Responsibilities paragraph. All relevant personnel of the accounting firm have followed the Norm of Professional Ethics for CPA and maintained independence from TSC Auto ID Technology Group when performing their duties. We believe that the evidence obtained from our audit and the audit results of other auditors provide an adequate and appropriate basis for our opinion.

### **Key Audit Issues**

Key audit issues are matters that we considered to be the most important, based on professional judgment, when auditing the 2021 consolidated financial statements of TSC Auto ID Technology Group. These issues have already been addressed when we audited and formed our opinions on the consolidated financial statements. Therefore, we do not provide opinions separately for individual issues.

Key audit issues concerning the 2021 consolidated financial statements of TSC Auto ID Technology Group are as follows:

#### Impairment assessment for goodwill

TSC Auto ID Technology Group acquired controlling interest in Printronix Auto ID Technology Inc. (referred to as PTNX US below) on January 23, 2016, and later acquired the main business activities and operating assets from Diversified Labeling Solutions, Inc. (referred to as DLS below) in January 2019. Goodwill was recognized in the consolidated financial statements for the respective years, and the amounts are considered material to the consolidated financial



statements. Assessment of goodwill impairment depends largely on the estimation of the recoverable amount using future operating cash flow from PTNX US and DLS (the cash-generating units). Since the estimation of future operating cash flow involves the management's forecast of the performance of the industry and the Company, the assumptions used for the estimation and preparation are prone to subjective judgment and high levels of uncertainty.

We have taken actions during our audit to address the above uncertainties, including: obtaining a goodwill impairment assessment report issued by a professional appraiser that the management had commissioned; understanding and assessing the rationality of the recoverable amount calculated from the valuation model; and evaluating the overall rationality of the aforementioned goodwill impairment assessment report after taking into consideration the assumptions used in the valuation model, such as sales growth, profit margin, and weighted average funding cost (including the risk-free rate, volatility, and risk premium), the state of the Company's operations, the state of the industry, and future outlook.

#### **Other Matters**

As narrated in Note 11 of the consolidated financial statements, amongst the subsidiaries presented in the 2021 and 2020 consolidated financial statements of TSC Auto ID Technology Group were financial statements of important subsidiaries that were audited by other CPAs. Therefore, opinions made in the aforementioned consolidated financial statements in regards to the amounts and footnote disclosures of such businesses were based on the figures recognized and disclosed in audited reports prepared by other CPAs. The total assets of the subsidiaries accounted for 19.12% and 19.35% of the total consolidated assets as of December 31, 2021 and 2020 respectively; The operating revenues of the subsidiaries accounted for 34.37% and 34.72% of the consolidated operating revenues in 2021 and 2020 respectively, and their total comprehensive income accounted for 11.93% and 10.06% of the total consolidated comprehensive income respectively.

TSC Auto ID Technology Co., Ltd. has prepared standalone financial statements for 2021 and 2020, to which we have issued an independent auditor's report with unqualified opinion and made additional disclosures in the Other Matters paragraph.

## **Responsibilities of the management and governing body of the consolidated financial statements**

Responsibilities of the management were to prepare and ensure fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards and interpretations thereof approved and promulgated by the Financial Supervisory Commission, and to exercise proper internal control practices that are relevant to the preparation of the consolidated financial statements so that the consolidated financial statements are free of material misstatements, whether caused by fraud or error.

The management's responsibilities when preparing the consolidated financial statements also included assessing the ability of TSC Auto ID Technology Group to operate, disclose information, and account for transactions as a going concern unless the management intends to liquidate TSC Auto ID Technology Group or cease business operations, or is compelled to do so with no alternative solution.

The governing body of TSC Auto ID Technology Group (including the Audit Committee) is responsible for supervising the financial reporting process.

## **Responsibilities of the auditor when auditing consolidated financial statements**

The purposes of our audit were to obtain reasonable assurance of whether the consolidated financial statements were prone to material misstatements, whether due to fraud or error, and to issue a report of our audit opinions. We consider assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with generally accepted auditing principles do not necessarily guarantee detection of all material misstatements within the consolidated financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of users of the consolidated financial statements.

When conducting audits in accordance with the generally accepted auditing principles, we exercised judgments and raised doubts as deemed professionally appropriate. We also performed the following tasks as auditor:

1. Identifying and assessing risks of material misstatement within the consolidated financial statements, whether due to fraud or error; designing and executing appropriate response measures for the identified risks; and obtaining adequate and appropriate audit evidence to support audit opinions. Because fraud may involve conspiracy, forgery, intentional omission, untruthful declaration, or breach of internal control, the risk of not detecting material misstatements arising from fraud is greater than that of misstatements arising from error.
2. Developing the required level of understanding on relevant internal controls and designing audit procedures that are appropriate under the prevailing circumstances, but without providing opinions on the effectiveness of the internal control system of TSC Auto ID Technology Group.
3. Assessing the appropriateness of accounting policies adopted by the management, and the rationality of accounting estimates and related disclosures made.
4. Forming conclusions regarding the appropriateness of management's decision to account for the business as a going concern, and whether there are doubts or uncertainties about the ability of TSC Auto ID Technology Group to operate as a going concern, based on the audit evidence obtained. We are obliged to remind users of the consolidated financial statements and make related disclosures if uncertainties exist in regards to the abovementioned events or circumstances, and amend audit opinions when the disclosures are no longer appropriate.

Our conclusions are based on the audit evidence obtained up to the date of audit report. However, future events or changes of circumstances may still render TSC Auto ID Technology Group no longer capable of operating as a going concern.

5. Assessing the overall presentation, structure, and contents of the consolidated financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the consolidated financial statements.
6. Obtaining sufficient and appropriate audit evidence on the financial information of individual entities within the group, and expressing opinions on the consolidated financial statements. Our responsibilities as auditor are to instruct, supervise and execute audits and form audit opinions on the group.

We have communicated with the governing body about the scope, timing, and significant findings (including significant defects identified in the internal control) of our audit.

We have also provided the governing body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with the Norm of Professional Ethics for CPA, and communicated with the governing body on all matters that may affect the auditor's independence (including protection measures).

We have identified the key audit issues after communicating with the governing body regarding the 2021 consolidated financial statements of TSC Auto ID Technology Group. These issues have been addressed in our audit report except for topics that are prohibited by law from being disclosed to the public, or, under extreme circumstances, topics that we decided not to communicate in the audit report because of greater negative impacts they may cause than the benefits they bring to public interest.

Deloitte Taiwan  
CPA Lin Wen-Qin

CPA Fan You-Wei

Official Letter of Approval by Securities  
and Futures Commission  
Taiwan-Finance-Securities-VI-0920123784

Official Letter of Approval by Securities and  
Futures Commission  
Taiwan-Finance-Securities-VI-0920123784

March 28, 2022

## TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

## Consolidated Balance Sheet

December 31, 2021 and December 31, 2020

Unit: NT\$ thousand

Code	Asset	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
	<b>Current assets</b>				
1100	Cash and cash equivalents (Note 6)	\$ 1,199,879	16	\$ 1,307,939	18
1110	Financial assets at fair value through profit or loss (Note 7)	3,061	-	934	-
1170	Notes and accounts receivable, net (Notes 9, 27)	1,270,068	17	1,103,900	16
1200	Other receivables (Note 27)	27,419	-	15,537	-
130X	Inventory (Note 10)	1,158,048	15	779,214	11
1410	Prepayments	35,229	-	33,332	1
1470	Other current assets	2,581	-	4,294	-
11XX	Total current assets	<u>3,696,285</u>	<u>48</u>	<u>3,245,150</u>	<u>46</u>
	<b>Non-current assets</b>				
1517	Financial assets at fair value through other comprehensive income (Note 8)	1,068,960	14	845,920	12
1600	Property, plant and equipment (Note 12)	1,014,529	13	972,754	14
1755	Right-of-use assets (Note 13)	244,435	3	279,794	4
1780	Other intangible assets (Note 15)	246,691	3	312,557	4
1805	Goodwill (Note 14)	953,676	13	981,239	14
1840	Deferred income tax assets (Note 23)	416,976	6	442,269	6
1990	Other non-current assets	28,539	-	23,738	-
15XX	Total non-current assets	<u>3,973,806</u>	<u>52</u>	<u>3,858,271</u>	<u>54</u>
1XXX	Total assets	<u>\$ 7,670,091</u>	<u>100</u>	<u>\$ 7,103,421</u>	<u>100</u>
	<b>Liabilities and equity</b>				
	<b>Current liabilities</b>				
2100	Short-term loans (Note 16)	\$ 550,706	7	\$ 794,994	11
2120	Financial liabilities at fair value through profit or loss (Note 7)	443	-	3,235	-
2170	Accounts payable (Note 27)	758,245	10	540,217	8
2200	Other payables (Notes 17, 27)	373,131	5	279,466	4
2230	Income tax liability during the period	191,874	3	169,894	3
2250	Liability reserve	6,083	-	5,666	-
2280	Lease liability (Note 13)	101,861	1	80,462	1
2320	Long-term liabilities due within one year (Note 16)	65,000	1	4,000	-
2399	Other current liabilities	153,194	2	95,336	1
21XX	Total current liabilities	<u>2,200,537</u>	<u>29</u>	<u>1,973,270</u>	<u>28</u>
	<b>Non-current liabilities</b>				
2540	Long-term loans (Note 16)	835,000	11	1,026,000	14
2570	Deferred income tax liabilities (Note 23)	302,575	4	270,731	4
2580	Lease liability (Note 13)	172,318	2	211,975	3
2640	Net defined benefit liability (Note 18)	19,731	-	22,860	-
2670	Other non-current liabilities	51,787	1	47,370	1
25XX	Total non-current liabilities	<u>1,381,411</u>	<u>18</u>	<u>1,578,936</u>	<u>22</u>
2XXX	Total liabilities	<u>3,581,948</u>	<u>47</u>	<u>3,552,206</u>	<u>50</u>
	<b>Equity (Note 19)</b>				
3110	Ordinary share capital	424,769	5	424,769	6
3200	Capital surplus	592,852	8	577,665	8
	Retained earnings				
3310	Legal reserve	595,108	8	523,393	7
3320	Special reserve	8,597	-	8,597	-
3350	Unappropriated earnings	2,113,635	27	1,826,157	26
3300	Total retained earnings	<u>2,717,340</u>	<u>35</u>	<u>2,358,147</u>	<u>33</u>
3400	Other equity	353,182	5	190,634	3
3XXX	Total equity	<u>4,088,143</u>	<u>53</u>	<u>3,551,215</u>	<u>50</u>
	Total liabilities and equity	<u>\$ 7,670,091</u>	<u>100</u>	<u>\$ 7,103,421</u>	<u>100</u>

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

(Please refer to the audit report issued by Deloitte Taiwan on March 28, 2022.)

Chairman: Wang Shiu Ting

Chief Executive Officer: Wang Hsing-Lei

Chief Accounting Officer: Lin Shu-Juan

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Consolidated Comprehensive Income Statement

From January 1 to December 31, 2021 and from January 1 to December 31, 2020

Unit: NT\$1,000 except NT\$ for earnings per share

Code		2021		2020	
		Amount	%	Amount	%
	Operating incomes (Notes 20, 27, 31)				
4110	Revenues	\$ 6,848,808	100	\$ 5,683,808	100
	Operating costs (Notes 10, 21, 27)				
5110	Cost of goods sold	<u>4,573,431</u>	<u>67</u>	<u>3,660,985</u>	<u>64</u>
5900	Gross profits	<u>2,275,377</u>	<u>33</u>	<u>2,022,823</u>	<u>36</u>
	Operating expenses (Notes 9, 21, 27)				
6100	Sales & marketing expenses	620,763	9	563,111	10
6200	Administrative expenses	391,492	6	337,613	6
6300	R&D expenses	<u>212,892</u>	<u>3</u>	<u>204,793</u>	<u>4</u>
6000	Total operating expenses	<u>1,225,147</u>	<u>18</u>	<u>1,105,517</u>	<u>20</u>
6900	Operating profits	<u>1,050,230</u>	<u>15</u>	<u>917,306</u>	<u>16</u>
	Non-operating incomes and expenses (Note 21)				
7100	Interest income	4,390	-	3,536	-
7190	Other incomes	40,683	1	74,442	1
7020	Other gains and losses	13,165	-	( 15,718)	-
7050	Financial cost	( <u>25,565</u> )	-	( <u>36,077</u> )	-
7000	Total non-operating incomes and expenses	<u>32,673</u>	<u>1</u>	<u>26,183</u>	<u>1</u>
7900	Profits before tax	1,082,903	16	943,489	17
7950	Income tax expenses (Note 22)	<u>298,417</u>	<u>4</u>	<u>228,137</u>	<u>4</u>
8200	Current net income	<u>784,486</u>	<u>12</u>	<u>715,352</u>	<u>13</u>

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Code		2021		2020	
		Amount	%	Amount	%
	Other comprehensive income				
8310	Items that are not to be				
	reclassified to profit or loss				
8311	Remeasurement of defined				
	benefit plan (Note 18)	(\$ 524)	-	\$ 1,795	-
8316	Unrealized gains from				
	investments in equity				
	instruments measured at				
	fair value through other				
	comprehensive incomes				
	(Note 19)	<u>223,040</u>	<u>3</u>	<u>153,108</u>	<u>2</u>
		<u>222,516</u>	<u>3</u>	<u>154,903</u>	<u>2</u>
8360	Items that may be				
	subsequently reclassified to				
	profit or loss				
8361	Exchange differences on				
	translation of financial				
	statements of foreign				
	operations (Note 19)	( 75,615)	( 1)	( 85,098)	( 1)
8399	Income tax components that				
	may be reclassified				
	(Note 22)	<u>15,123</u>	<u>-</u>	<u>17,020</u>	<u>-</u>
		<u>( 60,492)</u>	<u>( 1)</u>	<u>( 68,078)</u>	<u>( 1)</u>
8300	Other comprehensive				
	income for the year				
	(net of tax)	<u>162,024</u>	<u>2</u>	<u>86,825</u>	<u>1</u>
8500	Total comprehensive income for the				
	year	<u>\$ 946,510</u>	<u>14</u>	<u>\$ 802,177</u>	<u>14</u>
	Net income attributable to:				
8610	Shareholders of the Company	<u>\$ 784,486</u>	<u>12</u>	<u>\$ 715,352</u>	<u>13</u>
	Total comprehensive income				
	attributable to:				
8710	Shareholders of the Company	<u>\$ 946,510</u>	<u>14</u>	<u>\$ 802,177</u>	<u>14</u>
	Earnings per share (Note 23)				
9710	Basic	<u>\$ 18.47</u>		<u>\$ 16.84</u>	
9810	Diluted	<u>\$ 18.32</u>		<u>\$ 16.74</u>	

The notes are an integral part of these consolidated financial statements.  
(Please refer to the audit report issued by Deloitte Taiwan on March 28, 2022.)

Chairman: Wang Shiu Ting Chief Executive Officer: Wang Hsing Lei Chief Accounting Officer: Lin Shu Juan

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries  
Consolidated Statement of Changes in equity  
From January 1 to December 31, 2021 and from January 1 to December 31, 2020

Unit: NT\$1,000 unless otherwise indicated

C o d e	Share capital				Retained earnings					Other equity				
	No. of shares (1,000)	Ordinary share capital	Advanced receipt of share capital	Total	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of financial statements of foreign operations	Unrealized gain of financial assets measured at fair value through other comprehensive incomes	Total	Total equity	
A1	Balance on January 1, 2020	42,437	\$ 424,369	\$ 400	\$ 424,769	\$ 568,892	\$ 447,718	\$ 8,597	\$ 1,609,454	\$ 2,065,769	( \$ 165,699 )	\$ 271,303	\$ 105,604	\$ 3,165,034
G1	Exercise of employee stock options	40	400	( 400 )	-	-	-	-	-	-	-	-	-	-
	Appropriation and distribution of 2019 earnings													
B1	Legal reserve	-	-	-	-	75,675	-	( 75,675 )	-	-	-	-	-	-
B5	Cash dividends to the company's shareholders	-	-	-	-	-	-	( 424,769 )	( 424,769 )	-	-	-	( 424,769 )	-
D1	2020 net income	-	-	-	-	-	-	715,352	715,352	-	-	-	-	715,352
D3	2020 other comprehensive income - after tax	-	-	-	-	-	-	1,795	1,795	( 68,078 )	153,108	85,030	86,825	-
D5	Total comprehensive income of 2020	-	-	-	-	-	-	717,147	717,147	( 68,078 )	153,108	85,030	802,177	-
N1	Share-based compensation – employee stock options (Note 24)	-	-	-	-	8,773	-	-	-	-	-	-	8,773	-
Z1	Balance on December 31, 2020	42,477	424,769	-	424,769	577,665	523,393	8,597	1,826,157	2,358,147	( 233,777 )	424,411	190,634	3,551,215
	Appropriation and distribution of 2020 earnings													
B1	Legal reserve	-	-	-	-	71,715	-	( 71,715 )	-	-	-	-	-	-
B5	Cash dividends to the company's shareholders	-	-	-	-	-	-	( 424,769 )	( 424,769 )	-	-	-	( 424,769 )	-
D1	2021 net income	-	-	-	-	-	-	784,486	784,486	-	-	-	-	784,486
D3	2021 other comprehensive income - after tax	-	-	-	-	-	-	( 524 )	( 524 )	( 60,492 )	223,040	162,548	162,024	-
D5	Total comprehensive income of 2021	-	-	-	-	-	-	783,962	783,962	( 60,492 )	223,040	162,548	946,510	-
N1	Share-based compensation – employee stock options (Note 24)	-	-	-	-	15,187	-	-	-	-	-	-	15,187	-
Z1	Balance on December 31, 2021	42,477	\$ 424,769	\$ -	\$ 424,769	\$ 592,852	\$ 595,108	\$ 8,597	\$ 2,113,635	\$ 2,717,340	( \$ 294,269 )	\$ 647,451	\$ 353,182	\$ 4,088,143

The notes are an integral part of these consolidated financial statements.  
(Please refer to the audit report issued by Deloitte Taiwan on March 28, 2022.)

Chairman: Wang Shiu Ting

Chief Executive Officer: Wang Hsing Lei

Chief Accounting Officer: Lin Shu-Juan

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries  
Consolidated Statement of Cash Flows  
From January 1 to December 31, 2021 and from January 1 to December 31, 2020

Code		2021	2020
			Unit: NT\$ thousand
	Cash flows from operating activities		
A10000	Pre-tax profit for the current period	\$ 1,082,903	\$ 943,489
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation	181,348	188,883
A20200	Amortization	74,929	76,319
A20300	Expected credit loss	9,563	3,051
A20900	Financial cost	25,565	36,077
A21200	Interest income	( 4,390)	( 3,536)
A21300	Dividend income	( 20,400)	( 20,400)
A21900	Cost of employee stock options	15,187	8,773
A22500	Loss from disposal of property, plant and equipment	2,158	148
A23700	Loss for market price decline and obsolete inventory	4,010	10,154
A24100	Unrealized foreign exchange losses	5,496	4,408
A29900	Gain on lease amendment	-	( 28)
A29900	Other incomes	-	( 30,123)
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets designated at fair value through profit or loss	( 2,127)	1,481
A31150	Notes and accounts receivable	( 221,328)	( 71,330)
A31180	Other receivables	( 16,747)	( 2,529)
A31200	Inventory	( 429,016)	65,693
A31230	Prepayments	( 2,710)	2,271
A31240	Other current assets	( 891)	( 121)
A31990	Other non-current assets	338	550
A32110	Financial liabilities held for trading	( 2,792)	2,879
A32150	Accounts payable	279,587	19,890
A32180	Other payables	112,804	( 702)
A32230	Other current liabilities	60,050	( 1,123)
A32240	Net defined benefit liability	( 3,653)	57
A32990	Other non-current liabilities	<u>5,253</u>	<u>( 8,211)</u>
A33000	Cash inflows from operating activities	1,155,137	1,226,020
A33100	Interest received	4,098	3,539
A33500	Income tax paid	<u>( 207,412)</u>	<u>( 104,734)</u>
AAAA	Net cash flows from operating activities	<u>951,823</u>	<u>1,124,825</u>

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Code		2021	2020
	Cash flows from investing activities		
B00010	Acquisition of financial assets measured at fair value through other comprehensive incomes	\$ -	(\$ 76,948)
B02700	Purchase of property, plant and equipment	( 146,936)	( 68,245)
B02800	Property, plant and equipment	943	443
B03700	Increase in refundable deposits	( 4,717)	( 408)
B03800	Decrease in refundable deposits	83	14
B04500	Purchase of intangible assets	( 15,742)	( 11,686)
B07100	Increase in equipment prepayments	( 6,278)	( 13,775)
B07600	Dividends received	<u>20,400</u>	<u>20,400</u>
BBBB	Net cash outflows from investing activities	<u>( 152,247)</u>	<u>( 150,205)</u>
	Cash flows from financing activities		
C00100	Decrease in net short-term loans	( 237,239)	( 191,585)
C01600	Borrowing of long-term loans	300,000	1,000,123
C01700	Repayment of long-term loans	( 430,000)	( 855,000)
C03100	Decrease in deposits received	( 216)	( 217)
C04020	Repayment of lease principals	( 69,728)	( 83,015)
C04500	Cash dividends paid	( 424,769)	( 424,769)
C05600	Interest paid	<u>( 25,723)</u>	<u>( 36,846)</u>
CCCC	Net cash outflows from financing activities	<u>( 887,675)</u>	<u>( 591,309)</u>
DDDD	Currency impact on cash and cash equivalents	<u>( 19,961)</u>	<u>3,736</u>
EEEE	Net increase (decrease) in cash and cash equivalents	( 108,060)	387,047
E00100	Cash and cash equivalents at the beginning of the year	<u>1,307,939</u>	<u>920,892</u>
E00200	Cash and cash equivalents at the end of the year	<u>\$ 1,199,879</u>	<u>\$ 1,307,939</u>

The notes are an integral part of these consolidated financial statements.  
(Please refer to the audit report issued by Deloitte Taiwan on March 28, 2022.)

Chairman: Wang Shiu Ting Chief Executive Officer: Wang Hsing Lei Chief Accounting Officer: Lin Shu Juan

## Appendix IV: 2021 Earnings Distribution Table

### TSC Auto ID Technology Co., Ltd.

2021

### Earnings Distribution Table

Unit: NT\$

Item	Amount	
Unappropriated retained earnings for previous year		1,329,672,809
Net income for 2021	784,485,606	
Remeasurement of defined benefit plan recognized in retained earnings	(523,703)	
Adjusted unappropriated retained earnings after net income plus other items calculated into for the period		783,961,903
10% legal reserve		(78,396,190)
Earnings available for distribution for the period		2,035,238,522
Less: Distribution Items:		
Bonus to shareholders - cash dividends (NT\$11 per share)	(467,246,340)	
Unappropriated retained earnings at the end of the period		1,567,992,182

Note 1: The shareholders' bonus is distributed from the retained earnings of 2021.

Note 2: The cash dividend distribution will be calculated to the nearest NT dollar. Fractional dividend less than NT\$1 shall be combined into other income of the Company.

Note 3: The number of shares for cash dividends was calculated based on the total number of 42,476,940 shares outstanding as of March 28, 2022.

Chairman:

General Manager:

Chief Accounting Officer: