

# 2020 Annual Shareholders' Meeting Handbook

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Stock Code : 2103

Date: June 19, 2020

Location: Cathay Financial Center

1F., No. 9, Songren Rd., Xinyi Dist., Taipei City, Taiwan



台橡股份有限公司  
TSRC CORPORATION

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## Matter to be Reported

### (1) To Report 2019 Employee's Compensation and Director's Compensation

2019 Employee's compensation of NT\$ 53,614,000 and Directors' Compensation of NT\$ 4,907,000 was resolved by 13th Meeting and 15th Meeting of the 16th Term of Board of Directors which are distributed in cash in accordance with The Company Act and article 28-1 of Article of Incorporation

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## Matter to be Ratified

### Ratification Proposal I (Proposed by the Board of Directors)

Proposal: To Ratify the Proposal for 2019 Business Report and Financial Report

Explanation: 2019 business report is shown in attachment 1 (please refer to page 9-11 in the Handbook for the Meeting) as well as the Parent Company Only Financial Statements and consolidated financial report (also in attachment 1, please refer to page 12-35 in the Handbook for the Meeting). The above reports were resolved by 14th Meeting of the 16th Term of Board of Directors where the financial report was audited by certified accountant.

The above business report and financial report were approved by the Audit Committee and audit report was provided ( also in attachment 1, please refer to page 36 in the Handbook for the Meeting). Hence, we proposed to annual Meeting of Shareholders for ratification.

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## Matter to be Ratified

### Ratification Proposal II (Proposed by the Board of Directors)

Proposal : To Ratify the Proposal for Distribution of 2019 Earnings

- Explanations: 1、 At the beginning of 2019 undistributed net profit is NT\$ 1,023,149,619. By adding with 2019 net income after tax of NT\$740,316,267 and profit of NT\$ 197,373,376 which is disposed from other equity instruments measured at fair value through other comprehensive income, subtracting NT\$ 20,478,226 from the accurate loss from ensured welfare plan and NT\$91,721,142 of legal reserve, the net profit that can be distributed in this period is NT\$1,848,639,894.
- 2、 The proposed distributed cash dividend for shareholders this year was NT\$0.5 per share and in total NT\$412,854, 989. After the distribution, the undistributed net profit is NT\$1,435,784,905. The distribution is calculated to the dollar. The remaining amount less than NT\$1 will be listed as other income of the company.
- 3、 It is proposed to authorize Chairman to determine ex-dividend date and payment date for cash dividend after resolution of the Shareholders' Meeting.
- 4、 The distribution table of 2019 Net profit is as follows:

**TSRC CORPORATION**  
**2019 DISTRIBUTION OF NET PROFIT** Unit: NTD

|   |               |
|---|---------------|
| At the beginning of Undistributed Net Profit  | 1,023,149,619 |
| Add: 2019 Net profit after tax  | 740,316,267   |
| Add: Profit from Disposal of other equity instruments measured at fair value through other comprehensive income | 197,373,376   |
| Subtract: accurate loss from ensured welfare plan   | (20,478,226)  |
| Less: Legal Reserve   | (91,721,142)  |
| Distributable net profit  | 1,848,639,894 |
| Distributable items   |               |
| Shareholders' dividend — cash (NT\$0.5 per share )  | (412,854,989) |
| At the end of Unappropriated Net Profit   | 1,435,784,905 |

Chairman: Nita Ing

Manager: Joseph Chai

Chief Accountant: Ming-Huang Chen

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## Matter to be Discussed

### Discussion Proposal I (Proposed by the Board of Directors)

Proposal: To Amend "Articles of Association"

Explanations: 1、In consideration of operational needs, it is proposed to amend cash dividends and surplus cash distribution from earned surplus in Articles 29 and 31 of the Company's "Articles of Incorporation" in accordance with Section 5 of Article 240 and Article 241 of the Company Act, and amend Articles 35 of the Company's "Articles of Incorporation" for the date of amendment.

2、Comparison table of amendment "Articles of Incorporation" refers to Annexure 2 (Please refer to pages 37 to 47 of the Handbook of Shareholders' Meeting.)

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### Discussion Proposal II (Proposed by the Board of Directors)

Proposal: To Amend "Procedures for Endorsement and Guarantee"

Explanations: 1、It is proposed to amend the Company of "Procedures for Endorsement and Guarantee" in accordance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" issued by Financial Supervisory Commission, referenced CHIN-KUAN-SHEN-TZU-No. 1080304826 on 7 March, 2019 and operation needs. The key point of amendment is as follows:

- (1) To amend guarantee limit for an enterprise, amending Article of 2.3.1 and 2.3.2
- (2) To Amend reporting procedure in accordance with delegation of responsibilities procedures of the Company, amending article of 5.1.2.
- (3) To be in accordance with amendment "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", amending article of 5.3.2 and 5.8.

2、Comparison Table of amendment of "Procedures for Endorsement and Guarantee" is shown in Annexure 3 (Please refer to pages 48 to 50 of the Handbook of Shareholders' Meeting.)

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Proposal: To Amend "Procedures for Loans to Others"

Explanations: 1、It is proposed to amend the Company of "Procedures for Endorsement and Guarantee" in accordance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" issued by Financial Supervisory Commission, referenced CHIN-KUAN-SHEN-TZU-No. 1080304826 on 7 March, 2019 and operation needs. The key point of amendment is as follows:

- (1) In accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", adding article of 2.2.3 of company' s jointly and severally liability when any breach of the limit of the loan of funds by the Company.
  - (2) To amend reporting procedure in accordance with delegation of responsibilities procedures of the Company, amending article of 5.1.3
  - (3) In accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", amending Articles 5.8.2 and 5.8.3 of loans to funds between foreign subsidiaries directly or indirectly 100% owned by the Company and the Company and extend due date of inter-company loan in 100% subsidiaries owned or to the Company.
  - (4) To amend wording of Article of 5.5.2 and 5.10 in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies".
- 2、Comparison Table of amendment of "Procedures for Loans to Others" is shown in Annexure 4 (Please refer to pages 51 to 53 of the Handbook of Shareholders' Meeting.)

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### Discussion Proposal IV (Proposed by the Board of Directors)

Proposal: To Amend "Procedures for Election of Directors"

Explanations: 1、In consideration of practical needs and that the candidate nomination system had been adopted for our election of directors, it is proposed to amend "Procedures for Election of Directors" and the key points are as follows:

- (1) By adoption of candidate nomination system, the requirement for filling in the information on ballot to identify a specific candidate, such as account name, account number, identity card or passport number is no longer needed. It is proposed to amend Articles 4-1 and 6.
- (2) In alignment with the terminology used by competent authority and to reflect the practical operation, it is proposed to revise certain wordings in Articles 2, 3, 5 and 8.
- (3) Delete the article number without content and adjust the number of articles 3-1 to 11.

2、Comparison table for amendment of the Procedures for Election of Directors is shown in Appendix 5 (please refer to page 54 to 57 of Handbook of Shareholders' Meeting)

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## 2019 Business Report

2019 was a challenging year for most businesses. Global economic growth slowed due to the disruptions from trade disputes and geopolitical conflicts, as well as the uncertainties in outlook and negative impact to business/consumer confidence. TSRC' s business was not immune to these negative factors and experienced a decline in overall financial performance compared to prior year. Amidst the economic and market headwinds, TSRC' s synthetic rubber business managed to leverage on the opportunities with increased price gap between natural rubber (NR) and BD to grow volume and also increase sales to higher margin non-tire applications. TPE business had a difficult time against pricing pressure and economic headwinds, resulting in declined performance versus 2018.

In total, the shipment of synthetic rubber and TPE products was 488 thousand metric tons in 2019, an increase of 8% versus prior year. Consolidated revenue was NTD 28,911 million, a decrease of 3% compared to NTD 29,751 million in the prior year. Consolidated gross profit was down 3% to NTD 3,377 million and margin was 12%. Consolidated operating profit was NTD 1,085 million, a reduction of 17% compared to the prior year. As a result, net income was NTD 740 million while EPS was NTD 0.90, representing a 38% decline from 2018.

In building our capabilities to become a global specialty chemical company, we successfully completed the construction of the new twenty-thousand-metric-tons-per-year advanced SEBS line in Nantong, China and the new seven-thousand-metric-tons-per-year advanced shoe materials (ASM) plant in Vietnam in 2019 with planned commercial production in 2020. In addition, TSRC Global Application Research Center was inaugurated in Shanghai with the objective of utilizing TSRC' s high-quality polymers and technology to accelerate collaboration with customers in elastomer/ polymer compounds and their downstream applications, such as medical and specialty films. These new assets, along with innovative technologies and new market development, strength TSRC' s position in specialty chemicals and applications.

In terms of technology innovation, key research milestones include successful adoption of functional modification in next generation synthetic rubber products, development of new generation HSBC technologies in novel applications such as medical, specialty film, foaming and automotive component, and the implementation of new process technologies in upgrading existing and new manufacturing assets. In 2019, TSRC was granted 11 patents.

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For the year of 2020, global economic growth continues to be weakened, especially with the COVID-19 outbreak. The outbreak directly impacted China' s economy and also caused a broad-based impact globally due to China' s position in the global supply chain and international trade. TSRC' s operation will inevitably be affected in the first-half of 2020, but we expect to recover in the second-half of 2020 assuming that the epidemic stabilizes. TSRC' s priority, during this difficult period, is to ensure the safety of our employees and to support our key customers to stabilize and sustain their businesses. We will also continue our long-term development projects for new products and technology solutions. TSRC will endeavor to achieve the previously set target of 4% increase in sales volume in 2020 and remain vigilant to respond to volatile market changes and long-term growth opportunities.

Despite the increasingly challenging external environment, TSRC is dedicated to strengthening our business portfolio and growth in high value market segments and applications. TSRC will focus to achieve short term and lasting benefits through enhanced technology and capabilities, and continue the momentum towards our vision of being a global specialty chemical company.

Chairman: Nita Ing

Manager: Joseph Chai

Chief Accountant: Ming-Huang Chen

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5. Matter to be Discussed:

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(3) To Amend "Procedures for Loans to Others" .

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## Independent Auditors' Report

To the Board of Directors of TSRC Corporation:

### Opinion

We have audited the consolidated financial statements of TSRC Corporation ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit of the Consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ( "the Code" ), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

As stated in Note 3(a), the Group initially adopted the IFRS 16, "Leases" at January 1, 2019 and apply the modified retrospective approach, with no restatement of comparative period amounts. Our opinion is not qualified in respect of this matter.

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## 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 end December 31, 2019. 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.

### 1. Revenue recognition

Please refer to note 4(q) and note 6(v) for disclosures related to revenue recognition.

Description of key audit matter:

Revenue is the key indicator used by investors and management while evaluating the Group' s finance or operating performance. The accuracy of the timing and amount of revenue recognized have significant impact on the financial statements, for which the assumptions and judgments of revenue measurement and recognition rely on subjective judgments of the management. Therefore, we consider it as the key audit matter.

How the matter was addressed in our audit:

Testing the effectiveness of design and implementing the internal control (both manual and system control) of sales and collecting cycle; reviewing the revenue recognition of significant sales contracts to determine whether the accounting treatment, key judgment, estimation, and accounting treatment are reasonable; analyzing the changes in top 10 customers from the most recent period and last year, and the changes in the price and quantity of each category of product line to determine whether if there are any significant misstatements; selecting sales transactions from a period of time before and after the balance sheet date, and verifying with the vouchers to determine the accuracy of the timing and amounts of revenue recognized; understanding whether if there is a significant subsequent sales return or discount; and reviewing whether the disclosure of revenue made by the management is appropriate.

### 2. Inventory measurement

Please refer to note 4(h), note 5, and note 6(f) for disclosures related to inventory measurement.

Description of key audit matter:

The inventory of the Group includes various types of synthetic rubber and its raw material. Since there is an oversupply and a low market demand in the rubber manufacturing industry, which may result in a decline on the price of raw material, the carrying value of inventories may exceed its net realizable value. The measurement of inventory depends on the evaluation of the management based on evidence from internal and external, both subjective and objective. Therefore, we consider it as the key audit matter.

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How the matter was addressed in our audit:

The key audit procedures performed is to understand management' s accounting policy of inventory measurement and determine whether if it is reasonable and is being implement. The procedures includes reviewing the inventory aging documents and analyzing its changes; obtaining the documents of inventory measurement and evaluating whether if the bases used for net realizable value is reasonable; selecting samples and verifying them with the vouchers to test the accuracy of the amount; and reviewing whether the disclosure of inventory measurement made by the management is appropriate.

### Other Matter

TSRC Corporation has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unqualified 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed 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 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 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 auditor' s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the 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 the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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

The engagement partners on the audit resulting in this independent auditor' s report are Po-Shu Huang and Ming-Hung Huang.

KPMG  
Taipei, Taiwan (Republic of China)  
March 17, 2020

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## TSRC CORPORATION AND SUBSIDIARIES

### Consolidated Balance Sheets

For the years ended December 31, 2019 and 2018  
(Expressed in Thousands of New Taiwan Dollars)

| Assets  | December 31, 2019    |            | December 31, 2018 |            |
|---|----------------------|------------|-------------------|------------|
|   | Amount               | %          | Amount            | %          |
| <b>Current assets</b>   |                      |            |                   |            |
| Cash and cash equivalents (note 6(a))   | \$ 4,695,280         | 14         | 4,527,752         | 15         |
| Financial assets at fair value through profit or loss - current (note 6(b))               | 14                   | -          | 679               | -          |
| Notes receivable, net (note 6(d))   | 866,347              | 3          | 558,944           | 2          |
| Accounts receivable, net (note 6(d))  | 2,759,617            | 8          | 2,873,893         | 10         |
| Other receivable (notes 6(e) and 7)   | 136,351              | -          | 91,395            | -          |
| Current income tax assets   | 80                   | -          | 21,636            | -          |
| Inventories (note 6(f))   | 6,414,679            | 20         | 6,449,363         | 21         |
| Other current assets (note 6(e))  | 493,550              | 2          | 337,496           | 1          |
| <b>Total current assets</b>   | <b>15,365,918</b>    | <b>47</b>  | <b>14,861,158</b> | <b>49</b>  |
| <b>Non-current assets:</b>  |                      |            |                   |            |
| Non-current financial assets at fair value through other comprehensive income (note 6(c)) | 1,137,888            | 4          | 1,299,806         | 4          |
| Investments accounted for under equity method (notes 6(g) and 7)                          | 1,098,591            | 3          | 1,067,378         | 4          |
| Property, plant and equipment (notes 6(h), 6(j), 8 and 9)                                 | 10,037,395           | 31         | 8,768,849         | 29         |
| Right-of-use assets (note 6(i))   | 1,331,571            | 4          | -                 | -          |
| Investment property (note 6(j))   | 1,581,599            | 5          | 1,596,324         | 5          |
| Intangible assets (note 6(k))   | 1,669,885            | 5          | 1,851,601         | 6          |
| Deferred income tax assets (note 6(r))  | 220,439              | 1          | 244,319           | 1          |
| Other non-current assets (notes 6(l) and 8)   | 71,637               | -          | 540,734           | 2          |
| <b>Total non-current assets</b>   | <b>17,149,005</b>    | <b>53</b>  | <b>15,369,011</b> | <b>51</b>  |
| <b>Total assets</b>   | <b>\$ 32,514,923</b> | <b>100</b> | <b>30,230,169</b> | <b>100</b> |

(See accompanying notes to consolidated financial statements.)

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| Liabilities and Equity  | December 31, 2018    |            | December 31, 2017 |            |
|---|----------------------|------------|-------------------|------------|
|   | Amount               | %          | Amount            | %          |
| <b>Current liabilities:</b>   |                      |            |                   |            |
| Short-term borrowings (note 6(m))   | \$ 4,729,148         | 15         | 4,147,772         | 14         |
| Current portion of long-term borrowings (notes 6(m) and 8)                                    | 287,235              | 1          | 850,000           | 3          |
| Financial liabilities at fair value through profit or loss – current (note 6(b))              | 5,672                | -          | 2,066             | -          |
| Accounts payable  | 2,392,346            | 7          | 1,514,522         | 5          |
| Accounts payable - related parties (note 7)   | 59,418               | -          | -                 | -          |
| Current income tax liabilities  | 121,726              | -          | 133,032           | -          |
| Other payable (notes 6(n), 6(q), 6(u) and 7)  | 1,309,810            | 4          | 1,330,672         | 4          |
| Current lease liabilities (note 6(o))   | 175,942              | -          | -                 | -          |
| Other current liabilities (note 6(m))   | 219,238              | 1          | 194,549           | 1          |
| <b>Total current liabilities</b>  | <b>9,300,535</b>     | <b>28</b>  | <b>8,172,613</b>  | <b>27</b>  |
| <b>Non-Current liabilities:</b>   |                      |            |                   |            |
| Long-term bank borrowings (notes 6(m) and 8)  | 4,672,705            | 15         | 3,718,325         | 12         |
| Other long-term borrowings (note 6(m))  | 349,287              | 1          | 499,693           | 2          |
| Provision liabilities - non-current (note 7)  | 19,227               | -          | 29,189            | -          |
| Deferred income tax liabilities (note 6(o))   | 855,481              | 3          | 695,682           | 2          |
| Non-current lease liabilities (note 6(n))   | 685,689              | 2          | -                 | -          |
| Other non-current liabilities (note 6(m) and 6(q))  | 179,276              | 1          | 232,826           | 1          |
| <b>Total non current liabilities</b>  | <b>6,761,665</b>     | <b>22</b>  | <b>5,175,715</b>  | <b>17</b>  |
| <b>Total liabilities</b>  | <b>16,062,200</b>    | <b>50</b>  | <b>13,348,328</b> | <b>44</b>  |
| <b>Equity attributable to shareholders of the Company (notes 6(s) and 6(y)):</b>              |                      |            |                   |            |
| Common stock  | 8,257,099            | 25         | 8,257,099         | 27         |
| Capital surplus   | 47,140               | -          | 45,158            | -          |
| Retained earnings:  |                      |            |                   |            |
| Legal reserve   | 3,977,141            | 12         | 3,857,922         | 13         |
| Unappropriated earnings   | 1,940,361            | 6          | 1,951,564         | 6          |
|   | 5,917,502            | 18         | 5,809,486         | 19         |
| Other equity:   |                      |            |                   |            |
| Financial statement translation differences for foreign operations                            | 23,383               | -          | 465,589           | 2          |
| Unrealized gain on financial assets measured at fair value through other comprehensive income | 711,094              | 2          | 801,805           | 3          |
| Gains (losses) on hedging instrument  | (80,526)             | -          | (68,134)          | -          |
|   | 653,951              | 2          | 1,199,260         | 5          |
| <b>Total equity attributable to shareholders of the Company</b>                               | <b>14,875,692</b>    | <b>45</b>  | <b>15,311,003</b> | <b>51</b>  |
| <b>Non-controlling interests</b>  | <b>1,577,031</b>     | <b>5</b>   | <b>1,570,838</b>  | <b>5</b>   |
| <b>Total equity</b>   | <b>16,452,723</b>    | <b>50</b>  | <b>16,881,841</b> | <b>56</b>  |
| <b>Total liabilities and equity</b>   | <b>\$ 32,514,923</b> | <b>100</b> | <b>30,230,169</b> | <b>100</b> |

(See accompanying notes to consolidated financial statements.)

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant:Ming-Huang Chen

TSRC CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018  
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

|  | 2018          |     | 2017       |     |
|--|---------------|-----|------------|-----|
|  | Amount        | %   | Amount     | %   |
| Revenue (notes 6(v) and 7)   | \$ 28,910,723 | 100 | 29,751,218 | 100 |
| Operating costs (notes 6(f), 6(h), 6(i), 6(k), 6(l), 6(n), 6(o), 6(p), 6(q), 6(u) and 7)                                   | 25,533,439    | 88  | 26,262,504 | 88  |
| Gross profit   | 3,377,284     | 12  | 3,488,714  | 12  |
| Operating expenses (notes 6(d), 6(h), 6(i), 6(k), 6(l), 6(o), 6(p), 6(q), 6(u) and 7):                                     |               |     |            |     |
| Selling expenses   | 976,947       | 3   | 959,417    | 3   |
| General and administrative expenses  | 1,094,304     | 4   | 1,081,834  | 4   |
| Research and development expenses  | 389,840       | 1   | 387,948    | 1   |
| Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9   | (1,193)       | -   | 10,214     | -   |
| Total operating expenses   | 2,459,898     | 8   | 2,439,413  | 8   |
| Other income and expenses, net (notes 6(j), 6(w) and 7)  | 167,475       | -   | 252,513    | -   |
| Operating profit   | 1,084,861     | 4   | 1,301,814  | 4   |
| Non-operating income and expenses (notes 6(g), 6(o), 6(x) and 7):  |               |     |            |     |
| Other income   | 161,867       | -   | 171,366    | 1   |
| Other gains and losses   | 12,334        | -   | 28,977     | -   |
| Finance costs  | (188,550)     | -   | (169,434)  | (1) |
| Share of gain of associates and joint ventures accounted for under equity method   | 184,126       | -   | 297,720    | 1   |
| Total non-operating income and expenses  | 169,777       | -   | 328,629    | 1   |
| Net income before tax  | 1,254,638     | 4   | 1,630,443  | 5   |
| Less: Tax expenses (note 6(r))   | 437,518       | 1   | 396,773    | 1   |
| Net income   | 817,120       | 3   | 1,233,670  | 4   |
| Other comprehensive income:  |               |     |            |     |
| Components of other comprehensive income that will not be reclassified to profit or loss                                   |               |     |            |     |
| Gains (losses) on remeasurements of defined benefit plans  | (20,478)      | -   | (21,854)   | -   |
| Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 106,662       | -   | 177,996    | -   |
| Income tax related to components of other comprehensive income that will not be reclassified to profit or loss             | -             | -   | -          | -   |
| Components of other comprehensive income that will not be reclassified to profit or loss                                   | 86,184        | -   | 156,142    | -   |
| Components of other comprehensive income (loss) that will be reclassified to profit or loss                                |               |     |            |     |
| Exchange differences on translation of foreign financial statements  | (499,164)     | (2) | (12,155)   | -   |
| Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method              | (26,045)      | -   | (150,695)  | -   |
| Income tax related to components of other comprehensive income that will be reclassified to profit or loss                 | -             | -   | -          | -   |
| Components of other comprehensive income that will be reclassified to profit or loss                                       | (525,209)     | (2) | (162,850)  | -   |
| Other comprehensive income   | (439,025)     | (2) | (6,708)    | -   |
| Total comprehensive income   | \$ 378,095    | 1   | 1,226,962  | 4   |
| Net income attributable to:  |               |     |            |     |
| Shareholders of parent   | \$ 740,316    | 3   | 1,192,186  | 4   |
| Non-controlling interests  | 76,804        | -   | 41,484     | -   |
|  | \$ 817,120    | 3   | 1,233,670  | 4   |
| Total comprehensive income attributable to:  |               |     |            |     |
| Shareholders of parent   | \$ 371,902    | 1   | 1,222,054  | 4   |
| Non-controlling interests  | 6,193         | -   | 4,908      | -   |
|  | \$ 378,095    | 1   | 1,226,962  | 4   |
| Basic earnings per share (in New Taiwan dollars) (note 6(t))   | \$ 0.90       |     | 1.44       |     |
| Diluted earnings per share (in New Taiwan dollars) (note 6(t))   | \$ 0.89       |     | 1.44       |     |

(See accompanying notes to consolidated financial statements.)

Chairman: Nita Ing

Manager: Joseph Chai

Chief Accountant: Ming-Huang Chen

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### Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018  
(Expressed in Thousands of New Taiwan Dollars)

|  | Equity attributable to owners of parent |                 |                   |                                  |                  |
|--|---|-----------------|-------------------|----------------------------------|------------------|
|  | Common stock                            | Capital surplus | Retained earnings |                                  | Total            |
|  |   |                 | Legal reserve     | Unappropriated retained earnings |                  |
| <b>Balance at January 1, 2018</b>  | \$ 8,257,099                            | 41,043          | 3,770,512         | 1,691,172                        | 5,461,684        |
| Appropriation and distribution:  |   |                 |                   |                                  |                  |
| Legal reserve  | -                                       | -               | 87,410            | (87,410)                         | -                |
| Cash dividends   | -                                       | -               | -                 | (792,682)                        | (792,682)        |
| Other changes in capital surplus   | -                                       | 4,115           | -                 | -                                | -                |
| Net income   | -                                       | -               | -                 | 1,192,186                        | 1,192,186        |
| Other comprehensive income (loss)  | -                                       | -               | -                 | (21,854)                         | (21,854)         |
| Total comprehensive income (loss)  | -                                       | -               | -                 | 1,170,332                        | 1,170,332        |
| Disposal of investments in equity instruments at fair value through other comprehensive income | -                                       | -               | -                 | (29,848)                         | (29,848)         |
| <b>Balance at December 31, 2018</b>  | 8,257,099                               | 45,158          | 3,857,922         | 1,951,564                        | 5,809,486        |
| Appropriation and distribution of retained earnings:   |   |                 |                   |                                  |                  |
| Legal reserve appropriated   | -                                       | -               | 119,219           | (119,219)                        | -                |
| Cash dividends of ordinary share   | -                                       | -               | -                 | (809,195)                        | (809,195)        |
| Other changes in capital surplus   | -                                       | 1,982           | -                 | -                                | -                |
| Profit (loss)  | -                                       | -               | -                 | 740,316                          | 740,316          |
| Other comprehensive income   | -                                       | -               | -                 | (20,478)                         | (20,478)         |
| Total comprehensive income   | -                                       | -               | -                 | 719,838                          | 719,838          |
| Disposal of investments in equity instruments at fair value through other comprehensive income | -                                       | -               | -                 | 197,373                          | 197,373          |
| <b>Balance at December 31, 2019</b>  | <u>\$ 8,257,099</u>                     | <u>47,140</u>   | <u>3,977,141</u>  | <u>1,940,361</u>                 | <u>5,917,502</u> |

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| Equity attributable to owners of parent   |   |  |                  |                   |   |                              |              |
|---|---|--|------------------|-------------------|---|------------------------------|--------------|
| Financial state-<br>ments transla-<br>tion differences<br>for foreign<br>operations | Total other equity interest   |  |                  | Total             | Total equity<br>attributable to<br>owners of parent | Non controlling<br>interests | Total equity |
|   | Unrealized<br>gains (losses) on<br>financial assets<br>measured at fair<br>value through<br>other compre-<br>hensive income | Gains (losses) on<br>effective por-<br>tion of cash flow<br>hedges |                  |                   |   |                              |              |
| 512,008   | 593,961   | 11,721   | 1,117,690        | 14,877,516        | 1,565,930   | 16,443,446                   |              |
| -   | -   | -  | -                | -                 | -   | -                            |              |
| -   | -   | -  | -                | (792,682)         | -   | (792,682)                    |              |
| -   | -   | -  | -                | 4,115             | -   | 4,115                        |              |
| -   | -   | -  | -                | 1,192,186         | 41,484  | 1,233,670                    |              |
| <u>(46,419)</u>   | <u>177,996</u>  | <u>(79,855)</u>  | <u>51,722</u>    | <u>29,868</u>     | <u>(36,576)</u>                                     | <u>(6,708)</u>               |              |
| <u>(46,419)</u>   | <u>177,996</u>  | <u>(79,855)</u>  | <u>51,722</u>    | <u>1,222,054</u>  | <u>4,908</u>  | <u>1,226,962</u>             |              |
| -   | 29,848  | -  | 29,848           | -                 | -   | -                            |              |
| 465,589   | 801,805   | (68,134)   | 1,199,260        | 15,311,003        | 1,570,838   | 16,881,841                   |              |
| -   | -   | -  | -                | -                 | -   | -                            |              |
| -   | -   | -  | -                | (809,195)         | -   | (809,195)                    |              |
| -   | -   | -  | -                | 1,982             | -   | 1,982                        |              |
| -   | -   | -  | -                | 740,316           | 76,804  | 817,120                      |              |
| <u>(442,206)</u>  | <u>106,662</u>  | <u>(12,392)</u>  | <u>(347,936)</u> | <u>(368,414)</u>  | <u>(70,611)</u>                                     | <u>(439,025)</u>             |              |
| <u>(442,206)</u>  | <u>106,662</u>  | <u>(12,392)</u>  | <u>(347,936)</u> | <u>371,902</u>    | <u>6,193</u>  | <u>378,095</u>               |              |
| -   | (197,373)   | -  | (197,373)        | -                 | -   | -                            |              |
| <u>23,383</u>   | <u>711,094</u>  | <u>(80,526)</u>  | <u>653,951</u>   | <u>14,875,692</u> | <u>1,577,031</u>                                    | <u>16,452,723</u>            |              |

(See accompanying notes to consolidated financial statements.)

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant:Ming-Huang Chen

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## TSRC CORPORATION AND SUBSIDIARIES

### Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018  
(Expressed in Thousands of New Taiwan Dollars)

|   | 2019         | 2018      |
|---|--------------|-----------|
| <b>Cash flows from operating activities:</b>  |              |           |
| Consolidated net income before tax  | \$ 1,254,638 | 1,630,443 |
| <b>Adjustments:</b>   |              |           |
| Adjustments to reconcile profit and loss:   |              |           |
| Depreciation  | 996,958      | 874,575   |
| Amortization  | 154,210      | 152,640   |
| Impairment loss ( reversal of impairment loss)  | (1,193)      | 10,214    |
| Interest expense  | 188,550      | 169,434   |
| Interest income   | (91,875)     | (78,175)  |
| Dividend income   | (69,992)     | (81,371)  |
| Share of profit of associates and joint ventures accounted for under equity method        | (184,126)    | (297,720) |
| Loss on disposal of property, plant and equipment   | 35,325       | 23,824    |
| Amortization to operating costs and inventories / Amortization of long-term pre-paid rent | 84,692       | 9,768     |
| Gains from bargain purchase   | -            | (11,820)  |
| Total adjustments to reconcile profit and loss  | 1,112,549    | 771,369   |
| Changes in operating assets and liabilities:  |              |           |
| Net changes in operating assets:  |              |           |
| Financial assets at fair value through profit or loss                                     | 665          | (679)     |
| Notes receivable  | (307,403)    | 350,523   |
| Accounts receivable   | 115,469      | 23,481    |
| Other receivable  | (36,889)     | (6,304)   |
| Inventories   | 34,684       | (408,683) |
| Other current assets  | (155,736)    | 43,073    |
| Total changes in operating assets, net  | (349,210)    | 1,411     |
| Net changes in operating liabilities:   |              |           |
| Financial liabilities at fair value through profit or loss                                | 3,606        | 1,840     |
| Accounts payable  | 877,824      | (278,570) |
| Accounts payable - related parties  | 59,418       | (35,663)  |
| Other payable   | (32,121)     | 176,107   |
| Other current liabilities   | 31,676       | 16,088    |
| Net defined benefit liability   | (49,035)     | (56,752)  |
| Other operating liabilities   | 4,392        | 22,245    |
| Total changes in operating liabilities, net   | 895,760      | (154,705) |
| Total changes in operating assets and liabilities, net                                    | 546,550      | (153,294) |
| Total adjustments   | 1,659,099    | 618,075   |

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|   | 2019                | 2018             |
|---|---------------------|------------------|
| Cash provided by operating activities   | 2,913,737           | 2,248,518        |
| Interest income received  | 104,889             | 69,172           |
| Interest paid   | (177,056)           | (158,376)        |
| Income taxes paid   | (243,589)           | (286,326)        |
| Net cash provided by operating activities   | <u>2,597,981</u>    | <u>1,872,988</u> |
| Cash flows from investing activities:   |                     |                  |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 246,302             | -                |
| Acquisition of investments accounted for under equity method                                | -                   | (42,184)         |
| Acquisition of property, plant and equipment  | (2,454,201)         | (1,237,645)      |
| Proceeds from disposal of property, plant and equipment                                     | 799                 | 727              |
| Decrease in other non-current assets  | 50,404              | (89,986)         |
| Dividends received  | 159,352             | 131,845          |
| Proceeds from capital repayments of investments accounted for under equity method           | -                   | 245,391          |
| Net cash used in investing activities   | <u>(1,997,344)</u>  | <u>(991,852)</u> |
| Cash flows from financing activities:   |                     |                  |
| Increase in short-term borrowings   | 21,324,066          | 36,511,929       |
| Decrease in short-term borrowings   | (20,672,431)        | (39,037,284)     |
| Increase in short-term commercial paper payable   | -                   | 1,119,523        |
| Decrease in short-term commercial paper payable   | -                   | (1,470,000)      |
| Proceeds from long-term borrowings  | 1,446,799           | 3,753,662        |
| Repayments of long-term borrowings  | (1,014,794)         | (800,000)        |
| Increase (decrease) in other long-term borrowings   | (155,663)           | 494,940          |
| Decrease in finance lease liabilities   | -                   | (6,584)          |
| Payment of lease liabilities  | (195,171)           | -                |
| Cash dividends paid   | (807,552)           | (791,238)        |
| Overaging unclaimed dividends   | 1,982               | 4,115            |
| Net cash used in financing activities   | <u>(72,764)</u>     | <u>(220,937)</u> |
| Effect of exchange rate changes on cash and cash equivalents                                | <u>(360,345)</u>    | <u>307,113</u>   |
| Net increase in cash and cash equivalents   | 167,528             | 967,312          |
| Cash and cash equivalents at beginning of period  | <u>4,527,752</u>    | <u>3,560,440</u> |
| Cash and cash equivalents at end of period  | <u>\$ 4,695,280</u> | <u>4,527,752</u> |

(See accompanying notes to consolidated financial statements.)

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant:Ming-Huang Chen



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Parent Company Only financial statements and independent auditors' report for the most recent fiscal year

## Independent Auditors' Report

To the Board of Directors of TSRC Corporation:

### Opinion

We have audited the financial statements of TSRC Corporation, which comprise the statements of financial position as of December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the TSRC Corporation as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ( "the Code" ), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 end December 31, 2019. 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.

1. Revenue recognition

Please refer to note 4(q) and 6(u) for disclosures related to revenue recognition.

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Description of key audit matter:

Revenue is the key indicator used by investors and management while evaluating the TSRC Corporation' s finance or operating performance. The accuracy of the timing and amount of revenue recognized have significant impact on the financial statements, for which the assumptions and judgments of revenue measurement and recognition rely on subjective judgments of the management. Therefore, we consider it as the key audit matter.

How the matter was addressed in our audit:

Testing the effectiveness of design and implementing the internal control (both manual and system control) of sales and collecting cycle; reviewing the revenue recognition of significant sales contracts to determine whether the accounting treatment key judgment, estimation, and accounting treatment are reasonable; analyzing the changes in top 10 customers from the most recent period and last year, and the changes in the price and quantity of each category of product line to determine whether if there are any significant misstatements; selecting sales transactions from a period of time before and after the balance sheet date, and verifying with the vouchers to determine the accuracy of the timing and amounts of revenue recognized; understanding whether if there is a significant subsequent sales return or discount; and reviewing whether the disclosure of revenue made by the management is appropriate.

## 2. Inventory measurement

Please refer to note 4(g), note 5, and note 6(f) for disclosures related to inventory measurement.

Description of key audit matter:

The inventory of TSRC Corporation includes various types of synthetic rubber and its raw material. Since there is an oversupply and a low market demand in the rubber manufacturing industry, which may result in a decline on the price of raw material, the carrying value of inventories may exceed its net realizable value. The measurement of inventory depends on the evaluation of the management based on evidence from internal and external, both subjective and objective. Therefore, we consider it as the key audit matter.

How the matter was addressed in our audit:

The key audit procedures performed is to understand management' s accounting policy of inventory measurement and determine whether if it is reasonable and is being implement. The procedures includes reviewing the inventory aging documents and analyzing its changes; obtaining the documents of inventory measurement and evaluating whether if the bases used for net realizable value is reasonable; selecting samples and verifying them with the vouchers to test the accuracy of the amount; and reviewing whether the disclosure of inventory measurement made by the management is appropriate.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 TSRC Corporation'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 TSRC Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the TSRC Corporation'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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TSRC Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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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 TSRC Corporation' s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor' s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor' s report. However, future events or conditions may cause the TSRC Corporation 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 the investment in other entities accounted for using the equity method to express an opinion on this 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor' s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditor' s report are Po-Shu Huang and Ming-Hung Huang.

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Taipei, Taiwan (Republic of China)  
March 17, 2020

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## TSRC CORPORATION

### Balance Sheets

December 31, 2019 and 2018  
(Expressed in Thousands of New Taiwan Dollars)

| Assets  | December 31,<br>2019        |                   | December 31,<br>2018     |                   |
|---|-----------------------------|-------------------|--------------------------|-------------------|
|   | Amount                      | %                 | Amount                   | %                 |
| <b>Current assets:</b>  |                             |                   |                          |                   |
| Cash and cash equivalents (note 6(a))   | \$ 417,440                  | 2                 | 338,449                  | 1                 |
| Financial assets at fair value through profit or loss - current (note 6(b))               | 14                          | -                 | -                        | -                 |
| Notes receivable, net (note 6(d))   | 2,662                       | -                 | 2,041                    | -                 |
| Accounts receivable, net (note 6(d))  | 949,468                     | 4                 | 1,062,295                | 4                 |
| Account receivable - related parties (notes 6(d) and 7)                                   | 114,471                     | -                 | 58,782                   | -                 |
| Other receivable (notes 6(e) and 7)   | 189,551                     | 1                 | 134,365                  | 1                 |
| Current income tax assets   | 80                          | -                 | 74                       | -                 |
| Inventories (note 6(f))   | 2,214,079                   | 9                 | 2,469,128                | 10                |
| Other current assets  | <u>136,531</u>              | -                 | <u>134,929</u>           | <u>1</u>          |
| <b>Total current assets</b>   | <b><u>4,024,296</u></b>     | <b><u>16</u></b>  | <b><u>4,200,063</u></b>  | <b><u>17</u></b>  |
| <b>Non-current assets:</b>  |                             |                   |                          |                   |
| Non-current financial assets at fair value through other comprehensive income (note 6(c)) | 932,437                     | 4                 | 1,095,695                | 5                 |
| Investments accounted for under equity method (notes 6(g) and 7)                          | 14,719,161                  | 61                | 14,442,549               | 59                |
| Property, plant and equipment (notes 6(h), 6(j) and 9)                                    | 2,727,714                   | 11                | 2,789,755                | 12                |
| Right-of-use assets (note 6(i))   | 177,841                     | 1                 | -                        | -                 |
| Investment property (notes 6(j) and 6(o))   | 1,581,599                   | 7                 | 1,596,324                | 7                 |
| Intangible assets (note 6(k))   | 44,819                      | -                 | 65,778                   | -                 |
| Deferred income tax assets (note 6(q))  | 71,630                      | -                 | 71,154                   | -                 |
| Other non-current assets  | <u>12,149</u>               | -                 | <u>42,515</u>            | -                 |
| <b>Total non-current assets</b>   | <b>20,267,350</b>           | <b>84</b>         | <b>20,103,770</b>        | <b>83</b>         |
| <b>Total assets</b>   | <b><u>\$ 24,291,646</u></b> | <b><u>100</u></b> | <b><u>24,303,833</u></b> | <b><u>100</u></b> |

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| Liabilities and Equity  | December 31, 2019    |            | December 31, 2018 |            |
|---|----------------------|------------|-------------------|------------|
|   | Amount               | %          | Amount            | %          |
| <b>Current liabilities:</b>   |                      |            |                   |            |
| Short-term borrowings (note 6(l))   | \$ 3,135,563         | 13         | 2,354,568         | 10         |
| Current portion of long-term borrowings (note 6(l))   | 100,000              | -          | 850,000           | 3          |
| Financial liabilities at fair value through profit or loss – current (note 6(b))              | 228                  | -          | -                 | -          |
| Accounts payable (note 7)   | 866,363              | 4          | 914,222           | 4          |
| Other payable (notes 6(m), 6(p), 6(t) and 7)  | 629,017              | 3          | 614,005           | 3          |
| Current lease liabilities (note 6(n))   | 52,313               | -          | -                 | -          |
| Other current liabilities (note 6(l))   | 30,338               | -          | 57,572            | -          |
| <b>Total current liabilities</b>  | <b>4,813,822</b>     | <b>20</b>  | <b>4,790,367</b>  | <b>20</b>  |
| <b>Non-Current liabilities:</b>   |                      |            |                   |            |
| Long-term bank borrowings (note 6(l))   | 3,350,000            | 14         | 2,950,000         | 12         |
| Other long-term borrowings (note 6(l))  | 349,287              | 1          | 499,693           | 2          |
| Provision liabilities - non-current (note 7)  | 19,227               | -          | 29,189            | -          |
| Deferred income tax liabilities (note 6(q))   | 697,737              | 3          | 538,403           | 2          |
| Non-current lease liabilities (note 6(n))   | 61,249               | -          | -                 | -          |
| Other non-current liabilities (notes 6(l) and 6(p))   | 124,632              | 1          | 185,178           | 1          |
| <b>Total non-current liabilities</b>  | <b>4,602,132</b>     | <b>19</b>  | <b>4,202,463</b>  | <b>17</b>  |
| <b>Total liabilities</b>  | <b>9,415,954</b>     | <b>39</b>  | <b>8,992,830</b>  | <b>37</b>  |
| <b>Equity attributable to shareholders of the company (notes 6(c), 6(g), 6(r) and 6(x):</b>   |                      |            |                   |            |
| Common stock  | 8,257,099            | 34         | 8,257,099         | 34         |
| Capital surplus   | 47,140               | -          | 45,158            | -          |
| Retained earnings:  |                      |            |                   |            |
| Legal reserve   | 3,977,141            | 16         | 3,857,922         | 16         |
| Unappropriated earnings   | 1,940,361            | 8          | 1,951,564         | 8          |
|   | 5,917,502            | 24         | 5,809,486         | 24         |
| Other equity:   |                      |            |                   |            |
| Financial statement translation differences for foreign operations                            | 23,383               | -          | 465,589           | 2          |
| Unrealized gain on financial assets measured at fair value through other comprehensive income | 711,094              | 3          | 801,805           | 3          |
| Gains (losses) on hedging instrument  | (80,526)             | -          | (68,134)          | -          |
|   | 653,951              | 3          | 1,199,260         | 5          |
| <b>Total equity</b>   | <b>14,875,692</b>    | <b>61</b>  | <b>15,311,003</b> | <b>63</b>  |
| <b>Total liabilities and equity</b>   | <b>\$ 24,291,646</b> | <b>100</b> | <b>24,303,833</b> | <b>100</b> |

See accompanying notes to parent company only financial statements

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant:Ming-Huang Chen

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## TSRC CORPORATION Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

|  | Unit: thousand NTD |     |            |     |
|--|--------------------|-----|------------|-----|
|  | 2019               |     | 2018       |     |
|  | Amount             | %   | Amount     | %   |
| Revenue (notes 6(u) and 7)   | \$ 10,856,945      | 100 | 10,834,520 | 100 |
| Operating costs (notes 6(f), 6(h), 6(i), 6(k), 6(m), 6(n), 6(p), 6(t) and 7)   | 9,764,551          | 90  | 9,718,836  | 90  |
| Gross profit from operations   | 1,092,394          | 10  | 1,115,684  | 10  |
| Less: Unrealized gain (loss) on affiliated transactions  | 20,037             | -   | 7,794      | -   |
| Gross profit   | 1,072,357          | 10  | 1,107,890  | 10  |
| Operating expenses (notes 6(d), 6(h), 6(i), 6(k), 6(n), 6(o), 6(p), 6(t) and 7):   |                    |     |            |     |
| Selling expenses   | 370,291            | 3   | 353,113    | 3   |
| General and administrative expenses  | 470,035            | 4   | 490,195    | 5   |
| Research and development expenses  | 277,659            | 3   | 250,918    | 2   |
| Impairment loss determined in accordance with IFRS 9   | 202                | -   | 1,624      | -   |
| Total operating expenses   | 1,118,187          | 10  | 1,095,850  | 10  |
| Other income and expenses, net (notes 6(j), 6(o), 6(p), 6(v) and 7)  | 175,711            | 2   | 238,926    | 2   |
| Operating profit   | 129,881            | 2   | 250,966    | 2   |
| Non-operating income and expenses (notes 6(g), 6(n) and 6(w)):   |                    |     |            |     |
| Other income   | 72,313             | 1   | 73,955     | 1   |
| Other gains and losses   | 21,259             | -   | 11,051     | -   |
| Finance costs  | (101,610)          | (1) | (81,035)   | (1) |
| Share of profit from the subsidiaries, the associates and joint ventures   | 796,066            | 7   | 1,073,192  | 10  |
| Total non-operating income and expenses  | 788,028            | 7   | 1,077,163  | 10  |
| Profit from continuing operations before tax   | 917,909            | 9   | 1,328,129  | 12  |
| Less: Income tax expenses (note 6(q))  | 177,593            | 2   | 135,943    | 1   |
| Profit   | 740,316            | 7   | 1,192,186  | 11  |
| Other comprehensive income:  |                    |     |            |     |
| Components of other comprehensive income that will not be reclassified to profit or loss   |                    |     |            |     |
| Gains (losses) on remeasurements of defined benefit plans  | (20,478)           | -   | (21,854)   | -   |
| Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income   | 104,125            | 1   | 159,333    | 1   |
| Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | 2,537              | -   | 18,663     | -   |
| Income tax related to components of other comprehensive income that will not be reclassified to profit or loss   | -                  | -   | -          | -   |
| Components of other comprehensive income that will not be reclassified to profit or loss   | 86,184             | 1   | 156,142    | 1   |
| Items that may be reclassified subsequently to profit or loss  |                    |     |            |     |
| Financial statements translation differences for foreign operations  | (442,206)          | (4) | (46,419)   | -   |
| Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method   | (12,392)           | -   | (79,855)   | (1) |
| Income tax related to components of other comprehensive income that will be reclassified to profit or loss   | -                  | -   | -          | -   |
| Components of other comprehensive income that will be reclassified to profit or loss   | (454,598)          | (4) | (126,274)  | (1) |
| Other comprehensive income   | (368,414)          | (3) | 29,868     | -   |
| Total comprehensive income   | \$ 371,902         | 4   | 1,222,054  | 11  |
| Basic earnings per share (in New Taiwan dollars) (note 6(s))   | \$ 0.90            |     | 1.44       |     |
| Diluted earnings per share (in New Taiwan dollars) (note 6(s))   | \$ 0.89            |     | 1.44       |     |

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Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant:Ming-Huang Chen



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### Statements of Changes in Equity

For the years ended December 31, 2019 and 2018  
(Expressed in Thousands of New Taiwan Dollars)

|   | Common stock        | Capital surplus | Retained earnings |                                  | Total            |
|---|---------------------|-----------------|-------------------|----------------------------------|------------------|
|   |                     |                 | Legal reserve     | Unappropriated retained earnings |                  |
| <b>Balance at January 1, 2018</b>   | \$ 8,257,099        | 41,043          | 3,770,512         | 1,691,172                        | 5,461,684        |
| Appropriation and distribution:   |                     |                 |                   |                                  |                  |
| Legal reserve   | -                   | -               | 87,410            | (87,410)                         | -                |
| Cash dividends  | -                   | -               | -                 | (792,682)                        | (792,682)        |
| Other changes in capital surplus  | -                   | 4,115           | -                 | -                                | -                |
| Net income  | -                   | -               | -                 | 1,192,186                        | 1,192,186        |
| Other comprehensive income (loss)   | -                   | -               | -                 | (21,854)                         | (21,854)         |
| Total comprehensive income (loss)   | -                   | -               | -                 | 1,170,332                        | 1,170,332        |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | -                   | -               | -                 | (29,848)                         | (29,848)         |
| <b>Balance at December 31, 2018</b>   | 8,257,099           | 45,158          | 3,857,922         | 1,951,564                        | 5,809,486        |
| Appropriation and distribution:   |                     |                 |                   |                                  |                  |
| Legal reserve   | -                   | -               | 119,219           | (119,219)                        | -                |
| Cash dividends  | -                   | -               | -                 | (809,195)                        | (809,195)        |
| Other changes in capital surplus  | -                   | 1,982           | -                 | -                                | -                |
| Net income  | -                   | -               | -                 | 740,316                          | 740,316          |
| Other comprehensive income (loss)   | -                   | -               | -                 | (20,478)                         | (20,478)         |
| Total comprehensive income (loss)   | -                   | -               | -                 | 719,838                          | 719,838          |
| Disposal of investments in equity instruments at fair value through other comprehensive income            | -                   | -               | -                 | 197,373                          | 197,373          |
| <b>Balance at December 31, 2019</b>   | <u>\$ 8,257,099</u> | <u>47,140</u>   | <u>3,977,141</u>  | <u>1,940,361</u>                 | <u>5,917,502</u> |

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| Total other equity interest   |   |   |           |              |
|---|---|---|-----------|--------------|
| Financial statements translation differences for foreign operations | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Gains (losses) on effective portion of cash flow hedges | Total     | Total equity |
| 512,008   | 593,961   | 11,721  | 1,117,690 | 14,877,516   |
| -   | -   | -   | -         | -            |
| -   | -   | -   | -         | (792,682)    |
| -   | -   | -   | -         | 4,115        |
| -   | -   | -   | -         | 1,192,186    |
| (46,419)  | 177,996   | (79,855)  | 51,722    | 29,868       |
| (46,419)  | 177,996   | (79,855)  | 51,722    | 1,222,054    |
| -   | 29,848  | -   | 29,848    | -            |
| 465,589   | 801,805   | (68,134)  | 1,199,260 | 15,311,003   |
| -   | -   | -   | -         | -            |
| -   | -   | -   | -         | (809,195)    |
| -   | -   | -   | -         | 1,982        |
| -   | -   | -   | -         | 740,316      |
| (442,206)   | 106,662   | (12,392)  | (347,936) | (368,414)    |
| (442,206)   | 106,662   | (12,392)  | (347,936) | 371,902      |
| -   | (197,373)   | -   | (197,373) | -            |
| 23,383  | 711,094   | (80,526)  | 653,951   | 14,875,692   |

See accompanying notes to parent company only financial statements

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant:Ming-Huang Chen

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## TSRC CORPORATION

### Statements of Cash Flows

For the years ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

|  | 2019       | 2018        |
|--|------------|-------------|
| <b>Cash flows from operating activities:</b>   |            |             |
| Consolidated net income before tax   | \$ 917,909 | 1,328,129   |
| <b>Adjustments:</b>  |            |             |
| Adjustments to reconcile profit and loss:  |            |             |
| Depreciation   | 307,051    | 274,913     |
| Amortization   | 24,699     | 27,123      |
| Expected credit losses for bad debt expense  | 202        | 1,624       |
| Interest expense   | 101,610    | 81,035      |
| Interest income  | (8,887)    | (7,485)     |
| Dividend income  | (63,426)   | (66,470)    |
| Share of profit of subsidiaries, associates and joint ventures accounted for under equity method | (796,066)  | (1,073,192) |
| Loss on disposal of property, plant and equipment  | -          | 1,088       |
| Unrealized gain from sales   | 20,037     | 7,794       |
| Amortization to operating costs and inventories  | 35,409     | -           |
| Unearned revenue from technology provided to investee  | 37,394     | 8,014       |
| Total adjustments to reconcile profit and loss   | (341,977)  | (745,556)   |
| <b>Changes in operating assets and liabilities:</b>  |            |             |
| Net changes in operating assets:   |            |             |
| Financial assets at fair value through profit or loss  | (14)       | -           |
| Notes receivable   | (621)      | (1,693)     |
| Accounts receivable  | 112,625    | (33,439)    |
| Accounts receivable due from related parties   | (55,689)   | (18,918)    |
| Other receivable   | (34,095)   | 3,008       |
| Inventories  | 255,049    | (298,113)   |
| Other current assets   | (1,602)    | (39,996)    |
| Total changes in operating assets, net   | 275,653    | (389,151)   |
| Net changes in operating liabilities:  |            |             |
| Financial liabilities at fair value through profit or loss                                       | 228        | (226)       |
| Accounts payable   | (47,859)   | 194,866     |
| Other payable  | 11,696     | 50,923      |
| Other current liabilities  | (20,246)   | 22,134      |
| Net defined benefit liability  | (49,035)   | (56,752)    |
| Other operating liabilities  | (3,138)    | 905         |
| Total changes in operating liabilities, net  | (108,354)  | 211,850     |

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Unit: thousand NTD

|   | 2019              | 2018             |
|---|-------------------|------------------|
| Total changes in operating assets and liabilities, net                                      | 167,299           | (177,301)        |
| Total adjustments   | (174,678)         | (922,857)        |
| Cash provided by operating activities   | 743,231           | 405,272          |
| Interest income received  | 8,877             | 10,931           |
| Interest paid   | (94,573)          | (75,195)         |
| Income taxes paid   | (18,741)          | (14,978)         |
| <b>Net cash provided by operating activities</b>  | <b>638,794</b>    | <b>326,030</b>   |
| <b>Cash flows from investing activities:</b>  |                   |                  |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 246,302           | -                |
| Acquisition of investments accounted for under equity method                                | -                 | (278,280)        |
| Acquisition of property, plant and equipment  | (310,315)         | (320,621)        |
| Increase in other non-current assets  | 30,366            | (28,548)         |
| Dividends received  | 63,426            | 66,470           |
| Proceeds from capital repayments of investments accounted for under equity method           | -                 | 245,391          |
| <b>Net cash provided by (used in) investing activities</b>                                  | <b>29,779</b>     | <b>(315,588)</b> |
| <b>Cash flows from financing activities:</b>  |                   |                  |
| Increase in short-term borrowings   | 14,293,533        | 27,822,749       |
| Decrease in short-term borrowings   | (13,512,538)      | (29,277,487)     |
| Increase in short-term commercial paper payable   | -                 | 1,119,523        |
| Decrease in short-term commercial paper payable   | -                 | (1,470,000)      |
| Proceeds from long-term borrowings  | 500,000           | 3,000,000        |
| Repayments of long-term borrowings  | (850,000)         | (800,000)        |
| Increase (decrease) in other long-term borrowings   | (155,663)         | 494,940          |
| Decrease in finance lease liabilities   | -                 | (6,584)          |
| Payment of lease liabilities  | (59,344)          | -                |
| Cash dividends paid   | (807,552)         | (791,238)        |
| Over-aging unclaimed dividends  | 1,982             | 4,115            |
| <b>Net cash provided by (used in) financing activities</b>                                  | <b>(589,582)</b>  | <b>96,018</b>    |
| Net increase in cash and cash equivalents   | 78,991            | 106,460          |
| Cash and cash equivalents at beginning of period  | 338,449           | 231,989          |
| Cash and cash equivalents at end of period  | <b>\$ 417,440</b> | <b>338,449</b>   |

See accompanying notes to parent company only financial statements

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant:Ming-Huang Chen

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### III. Audit Report of Audit Committee'

To:

2020 Annual Shareholders' Meeting

#### Audit Report of Audit Committee'

The Board of Directors has proposed the Company's 2019 Business Report, Financial Statements and distribution of earnings. Financial Statements have been audited by KPMG and an audit report is accordingly issued.

The Proposal of Business Report, Financial Statements, and distribution have been examined and deemed as fairly presented by Audit Committee. This Audit Report is duly submitted in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Submission for perusal.

Robert Hung

The convener of Audit Committee TSRCCorporation

Date: March 17, 2020

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## Comparison Table for Amendment of "Article of Incorporation"

|                                    | Amended Articles        | Current Articles   | Explanations |
|------------------------------------|-------------------------|--|--------------|
| <b>Chapter I. General Articles</b> |                         |  |              |
| 1                                  | Same as current article | Article 1.<br>The company is incorporated pursuant to the Company Act and named "TSRC Corporation"   | No revision. |
| 2                                  | Same as current article | Article 2.<br>The operation function of business includes the following:<br>1. manufacturing C801060 Synthetic rubber.<br>2. manufacturing C804020 Industrial rubber products.<br>3. manufacturing C804990 Other rubber products manufacturing.<br>4. D101040 of unpublic power generation<br>5. D401010 Energy supply.<br>6. F401010 International trade.<br>7. ZZ99999 Business not prohibited or restricted by laws, other than business under license. | No revision. |
| 3                                  | Same as current article | Article 2-1.<br>the capital of the investment is free from the restriction of 40% of the company's paid-in capital when the company invests in a company, as a limited liability shareholder   | No revision. |
| 4                                  | Same as current article | Article 2-2.<br>The company may grant guarantees for business or investment .  | No revision. |

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|                           | Amended Articles        | Current Articles   | Explanations |
|---------------------------|-------------------------|--|--------------|
| 5                         | Same as current article | Article 3.<br>The Company is incorporated and registered in Kaohsiung City. The Company may establish domestic and overseas branches or factories which is constructed changed, and wind-up shall be resolved by the Board of Directors.   | No revision. |
| 6                         | Same as current article | Article 4<br>All announcement of the company shall be in accordance with the Company Law.  | No revision. |
| <b>Chapter II. Shares</b> |                         |  |              |
| 7                         | Same as current article | Article 5<br>The authorized capital of the Company is NT\$ 12 billion and is divided into 1,200,000,000 shares with NT\$ 10 per share. The Board of Directors is authorized to issue it by times when needed.<br>It is not necessary to print stock certificates for the shares issued by the company, or the stock certificates shall be printed altogether when new shares are issued, provided that they should be registered or kept by a central depository organization. | No revision. |
| 8                         | Same as current article | Article 6<br>"Deleted"   | No revision. |
| 9                         | Same as current article | Article 7<br>The stocks of our company will not be printed physically in accordance with regulations and all shall be registered. The stocks shall be issued in accordance with The Company Act and other relevant regulations.  | No revision. |
| 10                        | Same as current article | Article 8<br>"Deleted"   | No revision. |

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|   | Amended Articles        | Current Articles   | Explanations |
|---|-------------------------|--|--------------|
| 11  | Same as current article | Article 9<br>When the shareholders of our company wish to handle stock-related matters, such as transfer stocks, establish right pledge, report missing, inherit, grant and report missing or change of seal or change address, etc., they shall handle them in accordance with "Regulations Governing the Administration of Shareholder Services of Public Companies" and relevant regulations.   | No revision. |
| 12  | Same as current article | Article 10<br>Stock transfer and register actions shall be stopped within 60 days before annual shareholders' meetings and within 30 days before temporary shareholders' meetings as well as within 5 days before the record dates for distribution of dividend or other interests.  | No revision. |
| 13  | Same as current article | Article 11<br>"Deleted"  | No revision. |
| <b>Chapter III. Shareholders' Meeting</b> |                         |  |              |
| 14  | Same as current article | Article 12<br>The shareholders' meeting includes Annual meeting and extraordinary meeting. The annual meeting shall be held once a year and within six months after the end of fiscal year. The extraordinary meeting shall be held pursuant to laws. The annual shareholders' meeting shall be notified to the shareholders before 30 days , and in the case of the extraordinary shareholders' meeting, shall be notified before 15 days, provided that the meeting may be notified to the shareholders who hold less than 1,000 registered shares by public notice. | No revision. |
| 15  | Same as current article | Article 13<br>The chairman of the annual shareholders' meeting is served by the chairman of the board. When the shareholders' meeting is convened by other convener other than the Board of Directors, the chairman of the shareholders' meeting is served by that convener. In case of two conveners, one shall be selected among them to serve as the chairman.  | No revision. |



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|----|-------------------------|--|--------------|
| 16 | Same as current article | <p>Article 14<br/>The Company's shareholders shall, unless other law is regulated, have one voting right per share.<br/>A representative is authorized by proxy of the shareholder may attend the shareholders' meeting, provided proxy of the company printed which included scope of authorization.<br/>Other than the trust business or stock brokers approved by the competent securities authority, any person who is a represented by more than two shareholders at the same time shall be entitled to not more than 3% of the votes of the issued shares, and the excessive votes shall not be calculated.<br/>The proxy shall be delivered to the Company 5 days prior to the meeting. Where it is repeated, the one served first shall be effective. However, this is not applicable if a declaration to withdraw a prior proxy is made.<br/>If the shareholder wishes to attend the shareholders' meeting in person or if the shareholder wishes to exercise the voting rights in the written or electronic manner after the proxy is delivered to the Company, a written notice to withdraw the proxy shall be given to the Company 2 days before the shareholders' meeting. If the withdraw is given after this deadline, the voting right exercised by the proxy attending the meeting shall prevail.</p> | No revision. |
| 17 | Same as current article | <p>Article 15<br/>Unless otherwise provided for in-laws and the Company's articles of incorporation, the quorum for a shareholders' meeting shall be no less than the half of the total issued shares and resolution of the shareholders' meeting shall be passed no less than half of votes of the present shareholders.</p>  | No revision. |

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|------------------------------|-------------------------|--|--------------|
| <b>Chapter IV. Directors</b> |                         |  |              |
| 18                           | Same as current article | <p>Article 16<br/>The Company establishes 5 to 9 directors. The Board of Directors is authorized to establish the actual number of selected people. Directors are people with legal capacities chosen from the shareholders' meeting. Total shareholding ratio of all directors will be in accordance with the regulations of security management agencies.</p> <p>Directors of the Company shall be elected by the shareholders from a list of candidates of directors based on the candidate nomination system under Article 192 of the Company Act.</p>   | No revision. |
| 19                           | Same as current article | <p>Article 16-1<br/>The Board of Directors establishes 3 independent directors in the particular number of directors set forth in the previous Article.</p> <p>Independent directors and the non-independent directors shall be elected at the same time but calculate the particular elected numbers separately.</p> <p>Professional qualifications, shareholding and concurrency limitations, recognition of independency, nomination and election method, duties performed and other compliance matters regarding the independent directors shall be handled in accordance with Securities and Exchange Act and relevant regulations.</p> | No revision. |
| 20                           | Same as current article | <p>Article 16-2<br/>The Company has formed the Audit Committee consisting of all independent directors in accordance with the applicable law. The power exercised by the Audit Committee and its members in accordance with the Securities and Exchange Act and other applicable laws.</p>   | No revision. |

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|----|-------------------------|---|--------------|
| 21 | Same as current article | Article 17<br>The duration of the directors is three years and the directors are eligible for re-election.  | No revision. |
| 22 | Same as current article | Article 18<br>Directors shall select one director among themselves as the chairman of the board who will represent the company externally. In addition, directors shall also select one director among themselves as the vice chairman of the board.<br>If the chairman is absent or cannot perform his/her duties due to some reasons, the vice chairman shall act on his/her behalf; if there are no vice chairman or the vice chairman is absent or cannot perform his/her duties due to some reasons, the chairman shall assign a person to act on his/her behalf; in case of the chairman did not assign a proxy, then the directors shall select one director as the acting among themselves. | No revision. |
| 23 | Same as current article | Article 19<br>The Board of Directors decides the business strategies of the company and other important matters unless The Company Act or Article of Incorporation regulated be resolved with shareholders' meeting.<br>Board meetings are convened by the chairman, who shall also serve as the chairman of the meeting.<br>If a director cannot be present at the board meeting due to some reasons, then he/she can appoint one of the other directors to act on his/her behalf.<br>The proxy mentioned in previous paragraph is limited to one appointed person.<br>The notice for convening board meetings can be send in written form, fax or email.  | No revision. |

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|----|-------------------------|---|--------------|
| 24 | Same as current article | Article 20<br>Unless otherwise specified, resolution of the Board shall be carried out under the agreement of more than half of the present directors with more than half of the directors being present in the meeting.  | No revision. |
| 25 | Same as current article | Article 21<br>"Deleted"   | No revision. |
| 26 | Same as current article | Article 22<br>"Deleted"   | No revision. |
| 27 | Same as current article | Article 23<br>The board of directors is authorized to determine the remuneration for the Company's directors based on the level of participation and the contribution by the directors and in reference to the standard of the same industry.   | No revision. |
| 28 | Same as current article | Article 24<br>"Deleted"   | No revision. |
| 29 | Same as current article | Article 24-1<br>In order to well found the supervisory function and strength the management mechanism, the board of directors may establish the various functional committees. The regulations governing the exercise of functional commissions shall be defined by the board of directors. | No revision. |
| 30 | Same as current article | Article 24-2<br>The Company shall purchase the liability insurance for directors with respect to the indemnity to be borne by them in the scope of business to be executed by them during their term of office.   | No revision. |

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| <b>Chapter V. Managers</b>   |                         |   |              |
| 31                           | Same as current article | Article 25<br>The Company shall have several managers. Their appointment and dismissal shall be handled in accordance with Article 29 of The Company Act.<br>The managers mentioned in the previous paragraph are entitled to sign on behalf of the company in accordance with the authorized scope in the relevant regulations.                        | No revision. |
| 32                           | Same as current article | Article 26<br>"Deleted"   | No revision. |
| 33                           | Same as current article | Article 27<br>In accordance with instruction of the Chairman and resolution of the Board, the Manager shall handle affairs of the Company within the scope of his or her own duties.  | No revision. |
| <b>Chapter VI.Accounting</b> |                         |   |              |
| 34                           | Same as current article | Article 28<br>The fiscal year of our company is from Jan. 1 to Dec. 31 each year. The Board of Directors shall make all kinds of reports in accordance with Article 228 of The Company Act by the end of each fiscal year and propose to the shareholders' meeting by legal procedure for Ratification.   | No revision. |
| 35                           | Same as current article | Article 28-1<br>The Company shall appropriate at least 1% of its earnings, if applicable, as compensation to the employees and not more than 1% as remuneration to the directors.<br>The aforementioned and the regulation governing the remuneration to the directors and the compensation to employees shall be implemented as resolved by the Board. | No revision. |

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| 36 | <p>Article 29<br/>The industries run by our company have reached an increasingly mature and stable stage. At present, it is actively moving towards globalization and diversification. In order to cooperate with the company's long-term planning and strive for sustainable growth of the company, the company has formulated the following dividend policy: When allocating the earnings for each fiscal year, the Company may, after offsetting losses from previous years, and paying taxes, and set aside any <u>statutory and appropriated retained earnings</u> of 10% by ordinary resolution, may <u>draw up</u> the allocation of the balance remaining as bonuses, dividends, retained earnings or otherwise, shall be <u>proposed by the Board and resolved at the General Meeting. However, dividends issued in cash may be passed by the board of directors with more than two-thirds of the directors' attendance, and resolutions where more than half of the directors, and report to the shareholders' meeting.</u> For the distribution based on the above of paragraph, the cash dividend shall not be less than 20% of the total distribution.</p> | <p>Article 29<br/>The industries run by our company have reached an increasingly mature and stable stage. At present, it is actively moving towards globalization and diversification. In order to cooperate with the company's long-term planning and strive for sustainable growth of the company, the company has formulated the following dividend policy: When allocating the earnings for each fiscal year, the Company may, after offsetting losses from previous years, after paying taxes, as per the law and after 10% of the statutory surplus reserve is raised before the special surplus reserve is set up or turned over <u>under the Securities and Exchange Act</u>, the balances, when added to the unallocated surplus in the <u>preceding period</u>, are <u>thereafter</u> available for distribution and a surplus allocation <u>proposal</u> is submitted. For the distribution of shareholders' dividends in the preceding paragraph, the cash dividend shall not be less than 20% of the total distribution. <u>The above-mentioned distribution of surplus shall be drawn up by the Board and shall be submitted to the shareholders' General Meeting for resolution.</u></p> | <ol style="list-style-type: none"><li>1. To simplify the procedures for the distribution of cash dividends and to increase the flexibility of the time for the issuance of cash dividends, therefore, amend the procedures for resolution of cash dividends in accordance with the law.</li><li>2. To amend the narrative to suit the actual situation in the calculation and adjustment of the available surplus as other items are incorporated into its calculation, in accordance with the applicable IFRS standards and the relevant statutory provisions.</li></ol> |
| 37 | Same as current article   | Article 30<br>"Deleted"   | No revision.  |
| 38 | <p>Article 31<br/>The Company may, in accordance with Article 241 of the Company Act, distribute part or all of its statutory surplus reserve and capital reserve as new shares or in cash in proportion to the original share capital held by a shareholder, by resolution at the Shareholders' General Meeting. <u>In the case of cash, it shall be distributed after a resolution has been passed by more than half of directors at a meeting when attended by two-thirds of directors; in addition, the report of such distribution shall be submitted to the Shareholders' Meeting.</u></p>  | <p>Article 31<br/>The Company may, in accordance with Article 241 of the Company Act, distribute part or all of its statutory surplus reserve and capital reserve as new shares or in cash in proportion to the original share capital held by a shareholder, by resolution at the Shareholders' General Meeting.</p>   | To simplify the procedures for the reserve fund and to increase flexibility in the time for the payment, the procedures for its resolution are amended in accordance with the law.  |

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| 39   | Same as current article | Article 32<br>When the legal earned surplus has reached paid-in capital then allocation shall be stopped with the resolution in the shareholders' meeting. | No revision. |
| <b>Chapter VII. Supplementary Provisions</b> |                         |  |              |
| 40   | Same as current article | Article 33<br>[omitted]  | No revision. |
| 41   | Same as current article | Article 34<br>Any matters not provided in these Articles of incorporation shall be subject to the Company Act and the relevant laws.                       | No revision. |

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| 42 | <p>Article 35.<br/>These Articles of incorporation were concluded on July 27, 1973. 1st amendments thereof was made on June 25, 1974, 2nd amendments thereof on April 23, 1975, 3rd amendments on February 17, 1976, 4th amendments thereof on June 30, 1976, 5th amendments thereof on April 26, 1977, 6th amendments thereof on June 20, 1979, 7th amendments thereof on May 23, 1980, 8th amendments thereof on May 11, 1981, 9th amendments thereof on November 25, 1981, 10th amendments thereof on May 24, 1983, 11th amendments thereof on May 23, 1984, 12th amendments thereof on April 26, 1985, 13th amendments thereof on April 29, 1986, 14th amendments thereof on April 29, 1987, 15th amendments thereof on May 10, 1988, 16th amendments thereof on May 12, 1989, 17th amendments thereof on April 12, 1990, 18th amendments thereof on April 24, 1991, 19th amendments thereof on May 14, 1992, 20th amendments thereof on May 20, 1993, 21st amendments thereof on June 27, 1995, 22nd amendments thereof on June 16, 1996, 23rd amendments thereof on May 24, 1997, 24th amendments thereof on May 26, 1998, 25th amendments on May 29, 1999, 26th amendments thereof on May 27, 1990, 27th amendments thereof on June 20, 2002, 28th amendments thereof on May 30, 2003, 29th amendments thereof on May 31, 2005, 30th amendments thereof on June 13, 2008, 31st amendments thereof on June 10, 2011, 32nd amendments thereof on June 6, 2012 and 33rd amendments thereof on June 11, 2014. 34th amendments thereof on June 10, 2015, 35th amendments thereof on June 24, 2016, 36th amendments thereof on June 21, 2018, 37th amendment is made on June 6th, 2019, <u>38th amendment is made on June 19th, 2020.</u></p> | <p>Article 35.<br/>These Articles of incorporation were concluded on July 27, 1973. 1st amendments thereof was made on June 25, 1974, 2nd amendments thereof on April 23, 1975, 3rd amendments on February 17, 1976, 4th amendments thereof on June 30, 1976, 5th amendments thereof on April 26, 1977, 6th amendments thereof on June 20, 1979, 7th amendments thereof on May 23, 1980, 8th amendments thereof on May 11, 1981, 9th amendments thereof on November 25, 1981, 10th amendments thereof on May 24, 1983, 11th amendments thereof on May 23, 1984, 12th amendments thereof on April 26, 1985, 13th amendments thereof on April 29, 1986, 14th amendments thereof on April 29, 1987, 15th amendments thereof on May 10, 1988, 16th amendments thereof on May 12, 1989, 17th amendments thereof on April 12, 1990, 18th amendments thereof on April 24, 1991, 19th amendments thereof on May 14, 1992, 20th amendments thereof on May 20, 1993, 21st amendments thereof on June 27, 1995, 22nd amendments thereof on June 16, 1996, 23rd amendments thereof on May 24, 1997, 24th amendments thereof on May 26, 1998, 25th amendments on May 29, 1999, 26th amendments thereof on May 27, 1990, 27th amendments thereof on June 20, 2002, 28th amendments thereof on May 30, 2003, 29th amendments thereof on May 31, 2005, 30th amendments thereof on June 13, 2008, 31st amendments thereof on June 10, 2011, 32nd amendments thereof on June 6, 2012 and 33rd amendments thereof on June 11, 2014. 34th amendments thereof on June 10, 2015, 35th amendments thereof on June 24, 2016, 36th amendments thereof on June 21, 2018, 37th amendment is made on June 6th, 2019.</p> |              |



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#### Comparison Table of Amendment of "Procedures for Endorsement and Guarantee"

| Amended Article   | Current Article   | Explanation   |
|---|---|---|
| <p>2. Range<br/>2.3 Guarantee provided and evaluative criteria<br/>2.3.1 The total amount of endorsement/guarantee provided by the Company or the limit shall not exceed its net worth by more than 1.5 times, for unitary enterprise the total amount of endorsement/guarantee provided shall not be more than <u>60%</u> of the Company's net worth.<br/>2.3.2 When the total amount of endorsement/guarantee of the company and its subsidiaries have exceeded more than 1.5 times of the Company's net worth, an explanation shall be given at the General Meeting. The total amount of the unitary enterprise's endorsement/guarantee is limited to <u>60</u> percent of the Company's net worth.</p>  | <p>2. Range<br/>2.3 Guarantee provided and evaluative criteria<br/>2.3.1 The total amount of endorsement/guarantee provided by the Company or the limit shall not exceed its net worth by more than 1.5 times, for unitary enterprise the total amount of endorsement/guarantee provided shall not be more than <u>50%</u> of the Company's net worth.<br/>2.3.2 When the total amount of endorsement/guarantee of the company and its subsidiaries have exceeded more than 1.5 times of the Company's net worth, an explanation shall be given at the General Meeting. The total amount of the unitary enterprise's endorsement/guarantee is limited to <u>50</u> percent of the Company's net worth.</p>  | <p>For the company's operational needs.</p>                       |
| <p>5. Handling procedures<br/>5.1.2 Submission and approval<br/>When processing an endorsement/guarantee, the contracting department shall submit a signature approval and written assessment report giving a detailed description of the endorsement/guarantee object, type, reason and amount and so on. After reporting to and with the approval of the Chairman, the report shall be submitted to the audit committee for <u>examination</u> and then submitted to the Board of Directors for resolution. If no more than half of all members of the audit committee agree, it may be agreed by more than two-thirds of all directors, and the resolutions of the audit committee shall be stated in the minutes of the Board Meeting. However, the Board of Directors may authorize the Chairman to make a decision within 20% of the company's paid-in capital if necessary, and report to the board of directors for approval afterwards.<br/>The company when it submits its Operational Procedures for endorsements and/or guarantees it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</p> | <p>5. Handling procedures<br/>5.1.2 Submission and approval<br/>When processing an endorsement/guarantee, the contracting department shall submit a signature approval and written assessment report giving a detailed description of the endorsement/guarantee object, type, reason and amount to the <u>Finance Department and Accounts Department for endorsement. Then, submit to the General Manager and Chairman</u> who will first submit to the Audit Committee for approval before giving their <u>consent</u>. It will be submitted to the Board of Directors for resolution. If no more than half of all members of the audit committee agree, it may be agreed by more than two-thirds of all directors, and the resolutions of the audit committee shall be stated in the minutes of the Board Meeting. However, the Board of Directors may authorize the Chairman to make a decision within 20% of the company's paid-in capital if necessary, and report to the board of directors for approval afterwards. The company when it submits its Operational Procedures for endorsements and/or guarantees it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</p> | <p>In accordance with the Company's delegation of authorities</p> |

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| <p>5.3 Publication and Filing</p> <p>5.3.1 The accounting department shall before the 10th of every month announce the declaration of endorsement/guarantee of the Company and its subsidiaries for the previous month.</p> <p>5.3.2 In addition to reporting the guarantee balance on monthly announcements, the accounting department shall declare the amount of the endorsement guarantee issued by the Company and its subsidiaries within 2 days from the date of the occurrence of the fact, if the amount of the endorsement/guarantee has reached one of the criteria below. The term "date of occurrence of the fact" as used in the Procedures refers to the date of contract signing, date of payment, dates of resolutions of the Board of Directors, or other dates that can confirm the counterpart and monetary amount of the <u>Endorsement and Guarantee</u>, whichever date is earlier.</p> <p>(1) The aggregate balance of endorsements/guarantees by the company and its subsidiaries reaches 50% or more of the company's net worth as stated in its latest financial statement.</p> <p>(2)The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches 20% or more of the company's net worth as stated in its latest financial statement.</p> <p>(3)The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/ guarantees for, use the <u>Equity Method</u> investment in, investment <u>book amount</u> and balance of loans to, such enterprise reaches 30% or more of company's net worth as stated in its latest financial statement.</p> | <p>5.3 Publication and Filing</p> <p>5.3.1 The accounting department shall before the 10th of every month announce the declaration of endorsement/guarantee of the Company and its subsidiaries for the previous month.</p> <p>5.3.2 In addition to reporting the guarantee balance on monthly announcements, the accounting department shall declare the amount of the endorsement guarantee issued by the Company and its subsidiaries within 2 days from the date of the occurrence of the fact, if the amount of the endorsement/guarantee has reached one of the criteria below. The term "date of occurrence of the fact" as used in the Procedures refers to the date of <u>transaction</u> contract signing, date of payment, dates of resolutions of the Board of Directors, or other dates that can confirm the <u>transaction</u> counterpart and <u>transaction</u> amount of the Endorsement and Guarantee, whichever date is earlier.</p> <p>(1) The aggregate balance of endorsements/guarantees by the company and its subsidiaries reaches 50% or more of the company's net worth as stated in its latest financial statement</p> <p>(2) The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches 20% or more of the company's net worth as stated in its latest financial statement.</p> <p>(3) The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/ guarantees for, <u>long-term</u> investment in, and balance of loans to, such enterprise reaches 30% or more of the company's net worth as stated in its latest financial statement</p> | <p>To amend the definition of long-term investments and revise the text in line with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies "</p> |

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|---|--|--|
| <p>(4) The amount of new endorsements/guarantees made by the company or its subsidiaries reaches NT\$30 million or more and reaches 5% or more of the company's net worth as stated in its latest financial statement.</p> <p>5.3.3 If there is any reporting and announcement required for the Company's subsidiary which is not a Taiwan public company, the Company will follow the requirement on behalf of its subsidiary.</p>   | <p>(4) The amount of new endorsements/guarantees made by the company or its subsidiaries reaches NT\$30 million or more and reaches 5% or more of the company's net worth as stated in its latest financial statement.</p> <p>5.3.3 If there is any reporting and announcement required for the Company's subsidiary which is not a Taiwan public company, the Company will follow the requirement on behalf of its subsidiary.</p>  | <p>To revise the text as appropriate in line with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies ".</p> |
| <p>5.8 The procedures or amended procedures shall require the approval of one-half or more of all audit committee members, and furthermore shall be submitted for a resolution by the board of directors, and the provisions of paragraph 2 shall not apply. If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. Where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to each supervisor and for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures.</p> <p><u>The terms "all audit committee members" in the procedures, "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</u></p> | <p>5.8 The procedures or amended procedures shall require the approval of one-half or more of all audit committee members, and furthermore shall be submitted for a resolution by the board of directors, and the provisions of paragraph 2 shall not apply. If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>Where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to each supervisor and for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures.</p> <p><u>When the company submits its Operational Procedures for Loaning Funds to Others for discussion by the board of directors under the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinion. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the board of directors meeting.</u></p> |  |

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## Annexure 4

### Comparison Table for the "Rules and Procedures for Loans to Others "

| After the revision  | Before the revision   | Description  |
|---|---|--|
| <p>2. Scope</p> <p>2.1 Applicable entities</p> <p>2.2 The aggregate amount of loans and the maximum amount permitted</p> <p><u>2.2.3When the company' s capital loan with others violates the superior limit regulations, the company' s person-in-charge shall jointly bear and be severally liable with the borrower for repayment; if the company suffers damage, the person-in-charge also shall be liable for damages.</u></p>   | <p>2. Scope</p> <p>2.1 Applicable entities</p> <p>2.2 The aggregate amount of loans and the maximum amount permitted</p>  | <p>In conjunction with the " Regulations Governing Loan-ing of Funds and Making of Endorse-ments/Guarantees by Public Compa-nies ", the respon-sible person of the company is jointly and severally lia-ble for any breach of the limit of the loan of funds by the company.</p> |
| <p>5. Handling procedures</p> <p>5.1 Application, review and loan opera-tions</p> <p>5.1.3 Submission and approval</p> <p>When handling procedures of fund loans and matters, the undertaking department should submit a request for approval and a written evaluation report, stating the fund loan and the object, type, reason and amount and so on. After <u>reporting</u> to and with the ap-proval of the Chairman, the report shall be submitted to the audit committee for <u>review</u> and then submitted to the Board of Directors for resolution. If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be im-plemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be record-ed in the minutes of the board of direc-tors meeting.</p> <p>Loans of funds between the company and its parent company or subsidiar-ies, or between its subsidiaries, shall be submitted for a resolution by the board of directors pursuant to the preceding paragraph, and the chairperson may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the board of directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to drawdown.</p> | <p>5. Handling procedures</p> <p>5.1 Application, review and loan opera-tions</p> <p>5.1.3 Submission and approval</p> <p>When handling fund loans and matters, the undertaking department should submit a request for approval and a written evaluation report, stating the fund loan and the object, type, reason and amount and so on, as well as <u>sent to the Finance Department, Accounts Department and the Legal Department for endorsements</u>. After reporting to and with the approval of the Chairman, the report shall be submitted to the audit committee for <u>review</u> and then submitted to the Board of Directors for resolution. If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Pro-cedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit commit-tee shall be recorded in the minutes of the board of directors meeting.</p> <p>Loans of funds between the company and its parent company or subsidiar-ies, or between its subsidiaries, shall be submitted for a resolution by the board of directors pursuant to the preceding paragraph, and the chairperson may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the board of directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to drawdown.</p> | <p>Amendment of the reporting proce-dure in accordance with the hierar-chical delegation of responsibilities procedures of the company.</p>  |

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|--|--|---|
| <p>The "certain monetary limit" mentioned in the preceding paragraph on authorization for loans extended by the company or any of its subsidiaries to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company, Where the company has appointed independent directors when it loans funds to others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</p>   | <p>The "certain monetary limit" mentioned in the preceding paragraph on authorization for loans extended by the company or any of its subsidiaries to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company, Where the company has appointed independent directors when it loans funds to others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</p>                                     |   |
| <p>5.5 Declaration and announcement<br/>5.5.2 In addition to declaring capital loans and balance according to the monthly announcement, the company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence. "Date of occurrence" in these Regulations means the date of transaction contract signing, date of payment, dates of boards of directors resolutions, or other dates that can confirm the counterparty and <u>monetary amount of the loan</u> of funds or endorsement/guarantee, whichever date is earlier.</p> | <p>5.5 Declaration and announcement<br/>5.5.2 In addition to declaring capital loans and balance according to the monthly announcement, A public company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence. "Date of occurrence" in these Regulations means the date of <u>transaction</u> contract signing, date of payment, dates of boards of directors resolutions, or other dates that can confirm the <u>transaction</u> counterparty and <u>transaction</u> amount of the loan of funds or endorsement/guarantee, whichever date is earlier.</p> | <p>To revise the text as appropriate in line with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies "</p> |
| <p>(1) The aggregate balance of loans to others by the company and its subsidiaries reaches 20 percent or more of the company's net worth as stated in its latest financial statement.<br/>(2) The balance of loans by the company and its subsidiaries to a single enterprise reaches 10 percent or more of the company's net worth as stated in its latest financial statement.<br/>(3) The amount of new loans of funds by the company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the company's net worth as stated in its latest financial statement.</p>                            | <p>(1) The aggregate balance of loans to others by the company and its subsidiaries reaches 20 percent or more of the company's net worth as stated in its latest financial statement.<br/>(2) The balance of loans by the company and its subsidiaries to a single enterprise reaches 10 percent or more of the company's net worth as stated in its latest financial statement.<br/>(3) The amount of new loans of funds by the company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the company's net worth as stated in its latest financial statement.</p>  |   |
| <p>5.5.3 The company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such a subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.</p>  | <p>5.5.3 The company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such a subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.</p>  |   |

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|---|---|---|
| 5.8 Where a subsidiary of the company intends to make loans to others, the company shall instruct it to formulate its own Operational Procedures for Loaning Funds to Others in compliance with these Regulations, and it shall comply with the Procedures when loaning funds.  | 5.8 Where a subsidiary of the company intends to make loans to others, the company shall instruct it to formulate its own Operational Procedures for Loaning Funds to Others in compliance with these Regulations, and it shall comply with the Procedures when loaning funds.  |   |
| 5.8.2 Any foreign Subsidiaries whose voting shares are 100% or more owned directly or indirectly by the Company or any foreign Subsidiaries whose voting shares are 100% or more owned directly or indirectly by the Company for the Company ; the company's Certified Public Accountant to duly certify the File, or net worth as stated in its latest financial statement for limit . The amount of individual loans is limited to not exceeding 50% of the net value of the company' s most recent audit or financial statement review by the accountant.<br>5.8.3 Any foreign subsidiaries whose voting shares are 100% or more owned directly or indirectly by the Company or any foreign Subsidiaries whose voting shares are 100% or more owned directly or indirectly by the Company where the term of each loan extended by shall not exceed five years. | 5.8.2 Any foreign Subsidiaries whose voting shares are 100% or more owned directly or indirectly by the Company or the company's Certified Public Accountant to duly certify the File, or net worth as stated in its latest financial statement for limit. The amount of individual loans is limited to not exceeding 50% of the net value of the company' s most recent audit or financial statement review by the accountant.<br>5.8.3 Any foreign subsidiaries whose voting shares are 100% or more owned directly or indirectly by the Company where the term of each loan extended by shall not exceed one year.   | In line with the " Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies", the term of release of 100% of the direct and indirect voting rights of the Company to foreign subsidiaries or subsidiaries of the Company holding 100% of the voting rights to and from the Company is added. |
| 5.10 The procedures or amended procedures shall require the approval of one-half or more of all audit committee members, and furthermore shall be submitted for a resolution by the board of directors, and the provisions of paragraph 2 shall not apply. If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting, and the same for modification.<br><u>All members and all directors of the Board of Auditors for the purpose of this procedure shall be actual incumbent.</u>  | 5.10 The procedures or amended procedures shall require the approval of one-half or more of all audit committee members, and furthermore shall be submitted for a resolution by the board of directors, and the provisions of paragraph 2 shall not apply. If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting, and the same for modification. <u>When the company submits its Operational Procedures for Loaning Funds to Others for discussion by the board of directors under the preceding paragraph, the board of directors shall take into full consideration each independent director's opinion. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the board of directors meeting.</u> | To revise the text as appropriate in line with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies "  |

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## Annexure 5

### Comparison Table for amendment " Procedures for Election of Directors "

| Amended Article   | Current Article  | Explanation |
|---|--|-------------|
| 1.<br>(Same as existing provision)  | 1.<br>The directors of this Company shall be elected in accordance with the rules specified herein.  |             |
| 2.<br>This Company' s directors shall be elected by adopting the candidate nomination system specified in the Company Act and its related regulations, and the shareholders shall elect the directors from among the nominees listed in the roster of director candidates, <u>which is announced by this Company</u> .<br>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.<br>In the election of directors, each share shall have voting rights equivalent to the number of seats to be elected and such voting rights can be combined to vote for one person or divided to vote for several persons.<br>The directors shall be elected through open ballot. The names of the voters shall be represented by shareholder account number or attendance card number.<br>The board of directors shall prepare the ballots. The format and contents to be filled in are subject to the printed ballot. The voters shall not add, delete or alter the ballots without authorization. The ballot should be placed into the ballot box designated by the Chair.<br>In addition to the preceding two sections, shareholders may exercise their voting right in writing or by way of electronic transmission in a shareholders' meeting, which methods will be described in the shareholders' meeting notice. | 1. To make the statement clearer by redrafting the first paragraph of Article<br>2. The terminology used by competent authority is "ballot".<br>(Note added: for this part, there is no difference in English translation) |             |

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| Amended Article  | Current Article  | Explanation   |
|--|--|---|
| <p>3.<br/>The directors and the number of seats are designated by the Articles of Incorporation and the announcement of this Company, with voting rights separately calculated for independent and non-independent director positions. Candidates who acquire more votes should win the seats of directors. If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available, and the Chairman shall draw lots on behalf of the candidate who is not present</p> | <p>3.<br/>The directors and the number of seats are designated by the Articles of Incorporation and the announcement of this Company, with voting rights separately calculated for independent and non-independent director positions. Candidates who acquire more votes should win the seats of directors. If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available, and the Chairman shall draw lots on behalf of the candidate who is not present</p>   | <p>The terminology used by competent authority is "ballot".<br/>(Note added: for this part, there is no difference in English translation)</p>  |
|  | <p><u>3-1 Deleted</u></p>  | <p>In alignment with the adjustment of article order, delete this article number without content.</p>   |
| <p>4.<br/>A voter <u>may only enter he candidate's number designated on the roster in the "candidate" column of the ballot, or a voter may enter the full name of the natural person candidate and/or the full name of the governmental organization or juristic-person shareholder that the candidates represents; the "candidate" column can only be filled in with one candidate' s information; in the event that the name entered into the candidate column is the same as the other candidate, the voter shall add the candidate' s number in the candidate column to specify whom he/she vote for.</u></p>                | <p><u>4-1. If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; ffor a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered</u></p> | <ol style="list-style-type: none"><li>1. The provisions contained in the original Article 4-1 shall be moved to Article 4, the provisions of the original Article 4 designated as the ballot examiner shall be moved to Article 5, and the provisions of the subsequent Articles shall be adjusted sequentially.</li><li>2. This Company had adopted candidate nomination system for the election of its directors, and the shareholders shall only elect the directors from among the nominees listed in the roster of director candidates. It is proposed to simplify the requisite information to be fill in the ballot.</li><li>3. The original second section of this Article overlaps with the content of Article 6 (Article 7 of the amended article) and shall be deleted</li></ol> |
| <p>5.<br/>Before the election begins, the Chair shall appoint two ballot examiner and several counting persons to perform the respective duties of monitoring and counting the ballots.</p>  | <p>4.<br/>Before the election begins, the Chair shall appoint two ballot examiner and several persons to perform the respective duties of monitoring and counting the ballots.</p>   | <p>Article order adjustment.</p>  |



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|---|--|--|
| <p><u>6.</u><br/>The job of the ballot examiner is as follows:<br/>(1) Before the voting starts, open the ballot box in public and place of seal on the ballot box.<br/>(2) Maintain the voting order and monitor the voting procedures to prevent non-compliance and illegality.<br/>(3) After the voting is completed, unsealed to collect the ballots and check the number of votes.<br/>(4) Check if there are any <u>invalid</u> ballots.<br/>(5) Supervise the persons to check the ballots to record the votes obtained from each candidate, and work with the staff to make a vote report.<br/>(6) Seal the ballots into a bag with a signature as a proof of sealing.</p>  | <p><u>5.</u><br/>The job of the ballot examiner is as follows:<br/>(1) Before the voting starts, open the ballot box in public and place of seal on the ballot box.<br/>(2) Maintain the voting order and monitor the voting procedures to prevent non-compliance and illegality.<br/>(3) After the voting is completed, unsealed to collect the ballots and check the number of votes.<br/>(4) Check if there are any <u>void</u> ballots.<br/>(5) Supervise the persons to check the ballots to record the votes obtained from each candidate, and work with the staff to make a vote report.<br/>(6) Seal the ballots into a bag with a signature as a proof of sealing.</p>  | <ol style="list-style-type: none"><li>1. Article order adjustment.</li><li>2. In alignment with the amendment of current Article 6 (Amendment Article 7) of this Procedures, it is proposed to amend paragraph (4) of this Article.</li></ol>  |
| <p><u>7.</u><br/>A ballot is <u>invalid</u> under any of the following circumstances:<br/>(1) The ballot <u>not prepared by the Board of Directors, not placed in the designated ballot box, or of which any part being added, deleted, or altered.</u><br/>(2) The number of candidates filled in the ballot exceed the <u>announced</u> number of the seats to be elected.<br/>(3) <u>Not filled in accordance with Article 4</u> or ballots with other written characters or symbols in addition to the candidate's name.<br/>(4) The writing is unclear and illegible.<br/>(5) A blank <u>ballot</u> is placed in the ballot box.<br/>(6) The total votes cast by the voter exceeding the total voting rights of such voters.</p> | <p><u>6.</u><br/>A ballot is void (<u>Spoilt vote</u>) under any of the following circumstances:<br/>(1) Those who do not use the voting ballot, <u>wrongly</u> place their ballots, or make alterations as specified in these Measures.<br/>(2) The number of candidates filled in the ballot exceed the number of the seats to be elected as per the <u>regulations.</u><br/>(3) <u>Violation</u> of the first paragraph of Article 4-1 or writing other characters or symbols.<br/>(4) The writing is unclear and illegible<br/>(5) <u>If the candidate is a shareholder, his/her account name or shareholder account number does not match those listed in the share register.</u><br/>(6) A blank <u>ballot</u> is placed in the ballot box<br/>(7) <u>If the candidate is a non-shareholder, his/her name, ID number or passport number cannot be verified or the verification does not match</u><br/>(8) <u>The total votes cast by the voter exceeding the total voting rights of such voters.</u><br/>(9) <u>The name of the candidates filled in the ballots being the same as another candidate's name and the respective shareholder's numbers (ID numbers) not being indicated to distinguish them.</u></p> | <ol style="list-style-type: none"><li>1. Article order adjustment.</li><li>2. Amend the provision in this section to read "invalid" instead of "void" in line with the terminology used by the competent authority.</li><li>3. In accordance with the amendments stipulated in Article 41 (Amendment Article 4) of this Procedures, delete paragraphs</li><li>4. The rest of the amendments are in accordance with the relevant content of this Procedures, and the text is revised accordingly.</li></ol> |

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| <u>8.</u><br>(Same as existing provision)   | <u>7.</u><br>The time for voting shall be announced by the Chair. The votes shall be calculated on-site immediately after the end of the poll without reading out the voter' s name. After the votes counting is finished, a vote counting report shall be made.                   | Article order adjustment.  |
| <u>9.</u><br>The vote counting report in the preceding Article shall record the total number of votes cast, the number of valid ballots, the number of <u>invalid ballots</u> and the list of directors elected, and shall be signed by the ballot examiner and the counting persons. | <u>8.</u><br>The vote counting report in the preceding Article shall record the total number of votes cast, the number of valid ballots, the number of <u>void ballots</u> and the list of directors elected, and shall be signed by the ballot examiner and the counting persons. | 1. Article order adjustment.<br>2. In alignment with the amendment of Article 6 of this Procedures (amendment of Article 7), the text shall be revised accordingly |
| <u>10.</u><br>(Same as existing provision)  | <u>9.</u><br>The results of the election, the list of candidates elected as directors and the number of votes with which they were elected, shall be announced by the Chair at the meeting.  | Article order adjustment.  |
| <u>11.</u><br>(Same as existing provision)  | <u>10.</u><br>Matters not specified in this Procedures shall be proceeded in accordance with the Company's Articles of Incorporation, Rules and Procedures of Shareholders' Meeting, the Company Act and other relevant laws and regulations.                                      | Article order adjustment.  |
| <u>12.</u><br>(Same as existing provision)  | <u>11.</u><br>This Procedures and any amendment thereof shall be implemented after the approval of share-holders' meeting.   | Article order adjustment.  |

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## Appendix 1

# Rules of Shareholders' Meeting

Amended on June 10, 2015

1. The Company's shareholders' meeting shall be handled in accordance with the Rules.
2. Attending shareholders (or proxies) shall show their attendance certificates and submit sign-in cards for calculation of attending votes Plus electronic voting exercise options. The proxy that is not a shareholder and the shareholder with a letter of proxy issued must have their identity document ready for examination A shareholding with one of the following is without voting right and is excluded from the total stock shares issued and number of attendance:
  - (1) TSRC's shareholdings.
  - (2) TSRC's stock shares held by the wholly owned subsidiary that is with over 50% of its stock shares issued with voting rights or total stock capital held by TSRC.
  - (3) TSRC's stock shares held by the company that is with over 50% of its stock shares issued with voting rights or total stock capital held by TSRC and TSRC's subsidiary directly or indirectly.
- 2-1. The chairperson may designate the attorney, CPA or the relevant staff appointed by him to attend the meeting, and also designate the conference personnel in charge of the meeting and the personnel maintaining the order on site (or security guards) to help proceed with the meeting, provided that the personnel referred to herein shall wear identification certificates or badges.
3. The chairperson shall announce the opening of the meeting, provided that where a majority of the shareholders representing the total issued shares fail to attend the meeting when the meeting should commence, the chairperson may announce that the meeting is postponed, provided that the meeting should be postponed no more than twice and the time of extension shall be no more than one hour in total. Where a majority of the said shares still fail to attend the meeting but one-third of the shareholders representing the total issued shares attend the meeting after the meeting has been postponed for twice, the provisional resolution may be made pursuant to Paragraph 1 of Article 175 of the Company Act.

Where the shares represented by the present shareholders have reached a majority of the total issued shares before the end of the meeting, the chairperson may re-submit the provisional resolution to the meeting for voting pursuant to Article 174 of the Company Act.
4. The agenda of the meeting shall be defined by the Board. The meeting shall be held in the order of the scheduled agenda. Without the resolution of the meeting, the agenda shall not be changed. The chairperson may not announce to have the meeting adjourned without the resolution of the directors before the scheduled agenda (including motions) completed except for the routine query and reply of motion.

Shareholders may not have another chairperson elected to have the meeting continued at the same location or elsewhere once the meeting is adjourned. If chairperson has violated the conference rules and announced to have the meeting adjourned, another chairperson can be elected by attending shareholders with majority votes to keep the meeting in session.

The proposals for amendments or replacement with respect to the same proposal shall be voted in the order defined by the chairperson.

Where any of the proposals is approved, the other proposals shall be deemed overruled and it is not necessary to vote them.

Chairperson is to define the discussion and priority of the motion raised by shareholders.

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4-1. The board of directors is to state in the agenda manual why the proposals that are proposed before the meeting are not enlisted in the agenda of directors' meeting and the record of agenda. If the proposals of shareholders that are to be enlisted in the agenda according to Article 4.2.3 of the Rules for Agenda are classified as the same type of proposals, Chairperson may have them consolidated for process according to Paragraph 5 of the preceding Article herein.

4-2. Shareholders who have a letter of proxy issued to legal person that is not a shareholder to attend the meeting on his  
If the government or corporate shareholder has two representatives appointed to attend the meeting, or, the representative has attended the meeting as a proxy, only one representative is to speak at the meeting.

4-3. The chairperson of the shareholders' meeting shall be assumed by the company's Chairman, if the meeting is called by the board of directors. Where the Chairman fails to exercise his authority for leave or other causes, the Vice Chairman shall be his proxy. Where the Vice Chairman also fails to exercise his authority for leave or other causes, the Chairman shall nominate a director to be his proxy. Where the Chairman fails to nominate any proxy, the proxy shall be elected among the directors.

Where the shareholders' meeting is called by any competent person other than the board of directors, the chairperson shall be assumed by the competent person. Where there are more than two competent persons, one of them shall be elected to be the chairperson.

5. It is necessary for shareholders to specify the gist of their statement, their attendance certificate numbers and names in the statement form before making statement in the meeting. The order in which the statement is made shall be subject to the chairperson's determination. The present shareholders who only submit the statement form instead of making statement verbally shall be deemed never making statement. In the event of any discrepancy in the contents of the statement and those specified in the form, the contents of statement shall prevail.

6. Shareholders may raise questions regarding the reports given at the end of the announcement by chairperson or by the designated personnel. Each speaker may not speak more than twice and five minutes each time unless it is with the consent of chairperson for one extension and five minutes maximum. The speech time and frequency of shareholders on the acceptance of resolution, each proposal, and motion is the same as the one in preceding paragraph.

The speech time and frequency of shareholders on the queries irrelevant to the proposals are the same as mentioned in the preceding paragraph.

6-1. After the present shareholders make statement, the chairperson may give response personally or designate the relevant personnel to give the response.

7. here the statement exceeds the specific time limit or beyond the scope of proposals, the chairperson may suspend the shareholders from continuing making statement. Where the shareholders do not stop making statement, or try to interfere with the agenda, the chairperson may order the relevant personnel (or security guards) to maintain the order in the meeting or take necessary actions to help the procedure.

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8. The chairman may announce the conclusion of discussion for proposals in a timely manner. If necessary, he may announce the suspension of discussion concluded or discussion may submit to voting per the chairperson's instruction.
9. Unless otherwise Provided in the Company Act or the Articles of Incorporation of this Company, motions should be approved by more than half of the shareholders present. For directors election, Rules for Election of Directors apply.  
Shareholders may exercise their voting rights in the written or electronic manner in shareholders' meetings. The manner of exercise is specified in the notice of shareholders' meeting. Any shareholder that exercises voting rights in the written or electronic form is deemed to have attended the shareholders' meeting in person. However, the shareholder is deemed to have waived his/her right in relation to any motion or amendment to original proposal in such shareholders' meeting.  
The resolutions shall be recorded in the minutes of meetings.
- 9-1. When the proposals are subject to voting, the chairperson shall designate certain scrutineers and ballot recorders to execute their job responsibility, provided that the scrutineers shall be shareholders. The voting of the various proposals shall be conducted in a manner other than recall.  
The result thereof shall be announced on site and recorded.
10. The votes that are determined by scrutinizers to have one of the following actions are voided:
  - (1) Fail to use the ballot appointed by the board of directors or chairperson;
  - (2) Deposit a blank ballot into the box;
  - (3) Broken or smeared ballot that cannot be identified;
  - (4) Altered ballot or ballot with marks or literature;
  - (5) Tick the boxes for and against at the same time;
  - (6) Ballot that does not convey the decision for or against clearly;
11. If shareholders raise an objection over the process of resolution, ballot counting, effective or void votes, the scrutinizers are to have the shareholder number, stock shares, and cause of dispute of the shareholders in dispute stated, signed, and sealed for filing and for record.
12. The chairperson may announce to take a rest at his sole discretion in the process of the meeting.  
Where it is impossible to continue proceeding with the meeting due to air-raid alarm or other causes, the meeting should be stopped immediately and the relevant personnel should be evacuated automatically.  
The meeting should be continued after one hour upon the alarm or causes being lifted.
13. The procedure, agenda and resolution and other related matters shall be subject to the Rules. Any matters not provided herein shall be subject to the chairperson's sole discretion, unless they are provided in the Company Act, Securities and Exchange Act and the Company's articles of incorporation.
14. The Rules shall be enforced upon resolution of the shareholders' meeting. The same shall apply where they are amended.

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## Appendix 2

# Article of Incorporation

Amended on June 6, 2019

## Chapter I. General Articles

Article 1. The company is incorporated pursuant to the Company Act and named "TSRC Corporation"

Article 2. The operation function of business includes the following:

1. manufacturing C801060 Synthetic rubber.
2. manufacturing C804020 Industrial rubber products.
3. manufacturing C804990 Other rubber products manufacturing.
4. D101040 Ofunpublic power generation
5. D401010 Energy supply.
6. F401010 International trade.
7. ZZ99999 Business not prohibited or restricted by laws, other than business under license.

Article 2-1. the capital of the investment is free from the restriction of 40% of the company's paid-in capital when the company invests in a company, as a limited liability shareholder

Article 2-2. The company may grant guarantees for business or investment .

Article 3. The Company is incorporated and registered in Kaohsiung City. The Company may establish domestic and overseas branches or factories which is constructed changed, and wind-up shall be resolved by the Board of Directors.

Article 4. All announcement of the company shall be in accordance with the Company Law.

## Chapter II. Shares

Article 5. The authorized capital of the Company is NT\$ 12 billion and is divided into 1,200,000,000 shares with NT\$ 10 per share. The Board of Directors is authorized to issue it by times when needed.

It is not necessary to print stock certificates for the shares issued by the company, or the stock certificates shall be printed altogether when new shares are issued, provided that they should be registered or kept by a central depository organization.

Article 6. "Deleted"

Article 7. The stocks of our company will not be printed physically in accordance with regulations and all shall be registered. The stocks shall be issued in accordance with The Company Act and other relevant regulations.

Article 8. "Deleted"

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Article 9. When the shareholders of our company wish to handle stock-related matters, such as transfer stocks, establish right pledge, report missing, inherit, grant and report missing or change of seal or change address, etc., they shall handle them in accordance with "Regulations Governing the Administration of Shareholder Services of Public Companies" and relevant regulations.

Article 10. Stock transfer and register actions shall be stopped within 60 days before annual shareholders' meetings and within 30 days before temporary shareholders' meetings as well as within 5 days before the record dates for distribution of dividend or other interests.

Article 11. "Deleted"

## Chapter III. Shareholders' Meeting

Article 12. The shareholders' meeting includes Annual meeting and extraordinary meeting. The annual meeting shall be held once a year and within six months after the end of fiscal year.

The extraordinary meeting shall be held pursuant to laws.

The annual shareholders' meeting shall be notified to the shareholders before 30 days , and in the case of the extraordinary shareholders' meeting, shall be notified before 15 days, provided that the meeting may be notified to the share-holders who hold less than 1,000 registered shares by public notice.

Article 13. The chairman of the annual shareholders' meeting is served by the chairman of the board.

When the shareholders' meeting is convened by other convener other than the Board of Directors, the chairman of the shareholders' meeting is served by that convener. In case of two conveners, one shall be selected among them to serve as the chairman.

Article 14. The company's shareholders shall, unless other law is regulated, have one voting right per share.

A representative is authorized by proxy of the shareholder may attend the shareholders' meeting, provided proxy of the company printed which included scope of authorization.

Other than the trust business or stock brokers approved by the competent securities authority, any person who is a represented by more than two shareholders at the same time shall be entitled to not more than 3% of the votes of the issued shares, and the excessive votes shall not be calculated.

The proxy shall be delivered to the company 5 days prior to the meeting. Where it is repeated, the one served first shall be effective. However, this is not applicable if a declaration to withdraw a prior proxy is made.

If the shareholder wishes to attend the shareholders' meeting in person or if the shareholder wishes to exercise the voting rights in the written or electronic manner after the proxy is delivered to the Company,, a written notice to withdraw the proxy shall be given to the Company 2 days before the shareholders' meeting. If the withdraw is given after this deadline, the voting right exercised by the proxy attending the meeting shall prevail.

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After the proxy is delivered to the Company, if the shareholder wishes to attend the shareholders' meeting in person or if the shareholder wishes to exercise the voting rights in the written or electronic manner, a written notice to withdraw the proxy shall be given to the Company 2 days before the shareholders' meeting. If the withdraw is given after this deadline, the voting right exercised by the proxy attending the meeting shall prevail.

Article 15. Unless otherwise provided for in laws and the company's articles of incorporation, the quorum for a shareholders' meeting shall be no less than the half of the total issued shares and resolution of the shareholders' meeting shall be passed no less than half of votes of the present shareholders.

## Chapter IV. Directors

Article 16. The Company establishes 5 to 9 directors. The Board of Directors is authorized to establish the actual number of selected people. Directors are people with legal capacities chosen from the shareholders' meeting. Total shareholding ratio of all directors will be in accordance with the regulations of security management agencies. Directors of the Company shall be elected by the shareholders from a list of candidates of directors based on the candidate nomination system under Article 192 of the Company Act.

Article 16-1. The Board of Directors establishes 3 independent directors in the particular number of directors set forth in the previous Article. Independent directors and the non-independent directors shall be elected at the same time but calculate the particular elected numbers separately. Professional qualifications, shareholding and concurrency limitations, recognition of independency, nomination and election method, duties performed and other compliance matters regarding the independent directors shall be handled in accordance with Securities and Exchange Act and relevant regulations.

Article 16-2. The Company has formed the Audit Committee consisting of all independent directors in accordance with the applicable law. The power exercised by the Audit Committee and its members in accordance with the Securities and Exchange Act and other applicable laws.

Article 17. The duration of the directors is three years and the directors are eligible for re-election.

Article 18. Directors shall select one director among themselves as the chairman of the board who will represent the company externally. In addition, directors shall also select one director among themselves as the vice chairman of the board. If the chairman is absent or cannot perform his/her duties due to some reasons, the vice chairman shall act on his/her behalf; if there are no vice chairman or the vice chairman is absent or cannot perform his/her duties due to some reasons, the chairman shall assign a person to act on his/her behalf; in case of the chairman did not assign a proxy, then the directors shall select one director as the acting among themselves.



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Article 19. The Board of Directors decides the business strategies of the company and other important matters unless The Company Act or Article of Incorporation regulated be resolved with shareholders' meeting.

Board meetings are convened by the chairman, who shall also serve as the chairman of the meeting.

If a director cannot be present at the board meeting due to some reasons, then he/she can appoint one of the other directors to act on his/her behalf.

The proxy mentioned in previous paragraph is limited to one appointed person.

The notice for convening board meetings can be send in written form, fax or email.

Article 20. Article 20

Unless otherwise specified, resolution of the Board shall be carried out under the agreement of more than half of the present directors with more than half of the directors being present in the meeting.

Article 21. "Deleted"

Article 22. "Deleted"

Article 23. The board of directors is authorized to determine the remuneration for the Company's directors based on the level of participation and the contribution by the directors and in reference to the standard of the same industry.

Article 24. "Deleted"

Article 24-1. In order to well found the supervisory function and strength the management mechanism, the board of directors may establish the various functional committees. The regulations governing the exercise of functional commissions shall be defined by the board of directors.

Article 24-2. The Company shall purchase the liability insurance for directors with respect to the indemnity to be borne by them in the scope of business to be executed by them during their term of office.

## Chapter V. Managers

Article 25. The company shall have several managers. Their appointment and dismissal shall be handled in accordance with Article 29 of The Company Act.

The managers mentioned in the previous paragraph are entitled to sign on behalf of the company in accordance with the authorized scope in the relevant regulations.

Article 26. "Deleted"

Article 27. In accordance with instruction of the Chairman and resolution of the Board, the Manager shall handle affairs of the Company within the scope of his or her own duties.

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## Chapter VI. Accounting

Article 28. The fiscal year of our company is from Jan. 1 to Dec. 31 each year. The Board of Directors shall make all kinds of reports in accordance with Article 228 of The Company Act by the end of each fiscal year and propose to the shareholders' meeting by legal procedure for Ratification..

Article 28-1. The Company shall appropriate at least 1% of its earnings, if applicable, as compensation to the employees and not more than 1% as remuneration to the directors. The aforementioned and the regulation governing the remuneration to the directors and the compensation to employees shall be implemented as resolved by the Board.

Article 29. The industries run by our company have reached an increasingly mature and stable stage. At present, it is actively moving towards globalization and diversification. In order to cooperate with the company's long-term planning and strive for sustainable growth of the company, the company has formulated the following dividend policy: When allocating the earnings for each fiscal year, the Company may, after offsetting losses from previous years, after paying taxes, as per the law and after 10% of the statutory surplus reserve is raised before the special surplus reserve is set up or turned over under the Securities and Exchange Act, the balances, when added to the unallocated surplus in the preceding period, are thereafter available for distribution and a surplus allocation proposal is submitted. For the distribution of shareholders' dividends in the preceding paragraph, the cash dividend shall not be less than 20% of the total distribution. The above-mentioned distribution of surplus shall be drawn up by the Board and shall be submitted to the shareholders' General Meeting for resolution.

Article 30. "Deleted"

Article 31. The Company may, in accordance with Article 241 of the Company Act, distribute part or all of its statutory surplus reserve and capital reserve as new shares or in cash in proportion to the original share capital held by a shareholder, by resolution at the Shareholders' General Meeting.

Article 32. When the legal earned surplus has reached paid-in capital, then allocation shall be stopped with the resolution in the shareholders' meeting.

## Chapter VII. Supplementary Provisions

Article 33. "Deleted"

Article 34. Any matters not provided in these Articles of incorporation shall be subject to the Company Act and the relevant laws.

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Article 35. These Articles of incorporation were concluded on July 27, 1973. 1st amendments thereof was made on June 25, 1974, 2nd amendments thereof on April 23, 1975, 3rd amendments on February 17, 1976, 4th amendments thereof on June 30, 1976, 5th amendments thereof on April 26, 1977, 6th amendments thereof on June 20, 1979, 7th amendments thereof on May 23, 1980, 8th amendments thereof on May 11 1981, 9th amendments thereof on November 25, 1981, 10th amendments thereof on May 24, 1983, 11th amendments thereof on May 23, 1984, 12th amendments thereof on April 26, 1985, 13th amendments thereof on April 29, 1986, 14th amendments thereof on April 29, 1987, 15th amendments thereof on May 10, 1988, 16th amendments thereof on May 12, 1989, 17th amendments thereof on April 12, 1990, 18th amendments thereof on April 24, 1991, 19th amendments thereof on May 14, 1992, 20th amendments thereof on May 20, 1993, 21st amendments thereof on June 27, 1995, 22nd amendments thereof on June 16, 1996, 23rd amendments thereof on May 24, 1997, 24th amendments thereof on May 26, 1998, 25th amendments on May 29, 1999, 26th amendments thereof on May 27, 1990, 27th amendments thereof on June 20, 2002, 28th amendments thereof on May 30, 2003, 29th amendments thereof on May 31, 2005, 30th amendments thereof on June 13, 2008, 31st amendments thereof on June 10, 2011, 32nd amendments thereof on June 6, 2012 33rd amendments thereof on June 11, 2014 34th amendments thereof on June 10, 2015 and 35th amendments thereof on June 24, 2016, the 36th amendment was made on June 21, 2018. 37th amendment is made on June 6th, 2019.

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Appendix 3

## Disclosure of Directors' Shareholdings

April 21, 2020

| Job title                           | Name   | Stockholders No . | Shares held |
|-------------------------------------|--|-------------------|-------------|
| Chairman                            | Wei Dah Development Co.,Ltd.<br>Representative: Nita Ing         | 17471             | 53,708,923  |
| Director                            | Han-De Construction Co.,Ltd.<br>Representative: Jing-Lung Huang  | 147214            | 63,093,108  |
| Director                            | Han-De Construction Co.,Ltd.<br>Representative: Chin-Shan Chiang |                   |             |
| Director                            | Han-De Construction Co.,Ltd.<br>Representative: John T. Yu       |                   |             |
| Independent Director                | Robert Hung  |                   | 0           |
| Independent Director                | Sean Chao  |                   | 0           |
| Independent Director                | Rex Yang   |                   | 0           |
| Shareholdings of Directors subtotal |  |                   | 116,802,031 |
| Minimum shareholdings of Directors  |  |                   | 26,422,719  |

Remark: Up until April 21, 2020, share capital on book closure date, there are 825,709,978 shares.