



2023 Annual Shareholders' Meeting Handbook

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Meeting Date : May 31, 2023
Venue : FUBON International Conference Center
B2, No. 108 Dun Hua S. Road, Sec. 1 Taipei
Method : Physical shareholders' Meeting

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Agenda for 2023 Annual Meeting of Shareholders

(Translation based on Chinese document)

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Matter to be Reported

(1)To Report 2022 Employee's Compensation and Director's Compensation (Proposed by the Board of Directors)

The 2022 employee's compensation of NT\$130,999,000 and 2022 Director's Compensation of NT\$11,857,000, distributed in cash, were resolved by the 12th and 13th Meeting of the 17th Term of Board of Directors in accordance with Article 28-1 of Article of Incorporation.

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Matter to be Reported

(2) To Report the Distribution of 2022 Cash Dividend (Proposed by the Board of Directors)

1. According to Article 29 of the Articles of Incorporation of the Company, the Board of Directors is authorized to distribute dividends in cash and the distribution shall be reported to the shareholders' meeting.
2. The Company will distribute cash dividends of NT\$891,766,776 from 2022 earnings available for distribution at NT\$1.08 per share.
3. The distribution is calculated to the dollar, and the remaining amount less than NT\$ 1 will be listed as other income of the company.
4. The Board of Directors has approved the distribution and authorized the Chairman to determine the ex-dividend date, dividend payment date and all relevant matters including the allocation of dividends based on the actual situation.

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Matter to be Ratified

Ratification Proposal I (Proposed by the Board of Directors)

Proposal: To Ratify 2022 Business Report and Financial Statements

Explanations: 1. 2022 business report is shown in attachment 1 (please refer to page 7) with the Parent Company Only Financial Statements and Consolidated Financial Report (also in attachment 1, please refer to page 8-31). The above reports were resolved by 13th Meeting of the 17th Term of Board of Directors.

2. 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 32). Hence, we proposed to Annual Meeting of Shareholders for ratification.

Resolution:

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Matter to be Ratified

Ratification Proposal II (Proposed by the Board of Directors)

- Proposal: To Ratify 2022 Earnings Distribution
- Explanations: 1. The proposed 2022 earnings distribution was approved by the Audit Committee and the Board of Directors of the Company.
2. The proposed 2022 earnings distribution table is as below.

| TSRC Corporation | |
|---|---------------|
| 2022 Earnings Distribution Table | |
| | Unit: NTD |
| At the beginning of 2022 Unappropriated Retained Earnings | 2,709,333,541 |
| add: Net Income of 2022 | 1,782,763,055 |
| Remeasurement of Defined Benefit Plan | 51,983,598 |
| subtract: Legal Reserve (10%) | (183,474,665) |
| At the end of 2022 for Distributable Net Earnings | 4,360,605,529 |
| Distributable items: | |
| Cash Dividend (NT\$ 1.08 per share) | (891,766,776) |
| At the end of 2022 Unappropriated Retained Earnings | 3,468,838,753 |

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant: Hsing-Jung Lin

Resolution:

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2022 Business Report

TSRC delivered stable operating and financial performance amidst a turbulent 2022 by leveraging portfolio strength, business resilience, and proactive pricing actions to mitigate the negative impacts from weakened global demand and inflationary pressure. In 2022, the sales volume was 521,000 metric tons, a decrease of 4% versus 2021. Consolidated revenue was NTD 33,841 million, an increase of 4% compared to NTD 32,533 million in 2021. Gross profit decreased 19% to NTD 5,513 million and gross margin was 16%. Operating profit was NTD 2,675 million, a decrease of 32% from 2021, and operating profit margin was 8%. As a result, TSRC delivered net income of NTD 1,783 million with an EPS (earnings per share) of NTD 2.16 in 2022 and achieved its annual business objectives and budget plan.

The integration of ESG objectives in business operation is beyond the fulfilment of corporate social responsibility – it is to ensure enterprise sustainability for a company in the petrochemical industry. In addition to the existing product offerings, TSRC continues to invest in green product innovation in support of new business growth and assist consumers to achieve their ESG targets through better energy efficiency, low-carbon application products, and enhanced material recycling. The development of TPE for medical applications and SSBR for green tires are examples of how technology innovation can reduce the overall impacts to the environment. TSRC is dedicated to technology innovation and was granted 10 patents in 2022.

Global economic growth and political situation remain volatile and uncertain in 2023 due to geopolitical tension, US-China competition, and inflationary pressure, with the International Monetary Fund (IMF) recently downgraded its 2023 global economic growth forecast to 2.7%. TSRC remains focus on operational resilience and customer collaboration while continuing to progress key projects including Shenhua relocation and the 2030 ESG objectives to strengthen competitiveness in the upcoming low-carbon economy.

2023 marks TSRC' s 50th anniversary. Remaining true to TSRC' s mission of value creation, technology innovation, and supply reliability, TSRC strives to be an essential partner to the customers by offering valuable solutions and create stable earnings growth for shareholders whose unwavering support is greatly appreciated. TSRC is determined to work towards delivering positive business growth and impact in the next 50 years.

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant: Hsing-Jung Lin

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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 and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. 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 consolidated financial statements for the year end December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Please refer to note 4(q) and note 6(v) 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 Group' s finance or operating performance. The accuracy of the timing and amount of revenue recognized have significant impact on the financial statements. 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 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 the fierce competition in the rubber manufacturing industry and the price of main materials fluctuate frequently, 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. 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 it is reasonable and is being implemented. The procedures include 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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Other Matter

TSRC Corporation has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2022 and 2021, 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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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.

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2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group' s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group' s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 auditors' report are Ming-Hung Huang and Lin Wu.

KPMG

Taipei, Taiwan (Republic of China) March 9, 2023

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TSRC CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

| Assets | December 31, 2022 | | December 31, 2021 | |
|---|----------------------|------------|-------------------|------------|
| | Amount | % | Amount | % |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 6,278,620 | 17 | 4,464,755 | 14 |
| Current financial assets at fair value through profit or loss | 14 | - | 7,702 | - |
| Notes receivable, net | 940,938 | 3 | 951,817 | 3 |
| Accounts receivable, net | 3,044,640 | 8 | 3,716,841 | 11 |
| Other receivables | 146,483 | - | 93,834 | - |
| Inventories | 7,492,032 | 20 | 5,629,817 | 17 |
| Other current assets | <u>563,845</u> | <u>2</u> | <u>598,331</u> | <u>2</u> |
| Total current assets | <u>18,466,572</u> | <u>50</u> | <u>15,463,097</u> | <u>47</u> |
| Non-current assets: | | | | |
| Financial assets at fair value through other comprehensive income - non-current | 1,422,896 | 4 | 1,460,586 | 4 |
| Investments accounted for under equity method | 2,222,200 | 6 | 2,030,573 | 6 |
| Property, plant and equipment | 9,986,972 | 27 | 10,154,640 | 31 |
| Right-of-use assets | 959,689 | 3 | 867,485 | 3 |
| Investment property | 1,537,423 | 4 | 1,552,148 | 5 |
| Intangible assets | 867,813 | 3 | 892,679 | 3 |
| Deferred income tax assets | 308,747 | 1 | 253,434 | 1 |
| Other non-current assets | <u>801,221</u> | <u>2</u> | <u>155,121</u> | <u>-</u> |
| Total non-current assets | <u>18,106,961</u> | <u>50</u> | <u>17,366,666</u> | <u>53</u> |
| Total assets | <u>\$ 36,573,533</u> | <u>100</u> | <u>32,829,763</u> | <u>100</u> |

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant: Hsing-Jung Lin

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| | December 31, 2022 | | December 31, 2021 | |
|--|----------------------|------------|-------------------|------------|
| | Amount | % | Amount | % |
| Liabilities and Equity | | | | |
| Current liabilities: | | | | |
| Short-term borrowings | \$ 6,079,332 | 17 | 4,006,365 | 12 |
| Short-term commercial paper payable | 249,704 | 1 | - | - |
| Current portion of long-term borrowings | 724,563 | 2 | 817,713 | 3 |
| Current portion of long-term payables | 349,767 | 1 | - | - |
| Current financial liabilities at fair value through profit or loss | 36,729 | - | 356 | - |
| Accounts payable | 1,634,283 | 3 | 1,536,976 | 5 |
| Accounts payable-related parties | 33,236 | - | 1,316 | - |
| Current income tax liabilities | 351,748 | 1 | 288,186 | 1 |
| Other payables | 1,433,551 | 4 | 1,560,933 | 5 |
| Current lease liabilities | 127,731 | - | 128,928 | - |
| Other current liabilities | 272,907 | 1 | 208,011 | 1 |
| Total current liabilities | 11,293,551 | 30 | 8,548,784 | 27 |
| Non-Current liabilities: | | | | |
| Long-term bank borrowings | 2,129,854 | 6 | 1,936,219 | 6 |
| Other long-term borrowings | - | - | 349,922 | 1 |
| Non-current provision liabilities | 270,284 | 1 | 269,536 | 1 |
| Deferred income tax liabilities | 1,383,801 | 4 | 1,089,204 | 3 |
| Non-current lease liabilities | 451,756 | 1 | 357,355 | 1 |
| Other non-current liabilities | 313,024 | 1 | 154,925 | - |
| Total non-current liabilities | 4,548,719 | 13 | 4,157,161 | 12 |
| Total liabilities | 15,842,270 | 43 | 12,705,945 | 39 |
| Equity attributable to shareholders of the Company : | | | | |
| Common stock | 8,257,099 | 23 | 8,257,099 | 25 |
| Capital surplus | 51,725 | - | 50,725 | - |
| Retained earnings: | | | | |
| Legal reserve | 4,463,584 | 12 | 4,073,680 | 12 |
| Unappropriated earnings | 4,544,080 | 12 | 5,080,942 | 16 |
| | 9,007,664 | 24 | 9,154,622 | 28 |
| Other equity: | | | | |
| Financial statement translation differences for foreign operations | 251,770 | 1 | (456,708) | (1) |
| Unrealized gains or losses on financial assets measured at fair value through other comprehensive income | 1,004,081 | 3 | 1,047,059 | 3 |
| Gains or losses on hedging instrument | (45,789) | - | (26,847) | - |
| | 1,210,062 | 4 | 563,504 | 2 |
| Total equity attributable to shareholders of the Company | 18,526,550 | 51 | 18,025,950 | 55 |
| Non-controlling interests | 2,204,713 | 6 | 2,097,868 | 6 |
| Total equity | 20,731,263 | 57 | 20,123,818 | 61 |
| Total liabilities and equity | \$ 36,573,533 | 100 | 32,829,763 | 100 |

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant: Hsing-Jung Lin

TSRC CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

| | 2022 | | 2021 | |
|--|---------------|-----|------------|-----|
| | Amount | % | Amount | % |
| Revenue | \$ 33,841,197 | 100 | 32,533,238 | 100 |
| Operating costs | 28,327,924 | 84 | 25,732,774 | 79 |
| Gross profit | 5,513,273 | 16 | 6,800,464 | 21 |
| Operating expenses: | | | | |
| Selling expenses | 1,679,407 | 5 | 1,755,251 | 6 |
| General and administrative expenses | 1,041,939 | 3 | 1,014,618 | 3 |
| Research and development expenses | 392,118 | 1 | 371,679 | 1 |
| Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9 | (2,843) | - | 2,362 | - |
| Total operating expenses | 3,110,621 | 9 | 3,143,910 | 10 |
| Other income and expenses, net | 272,318 | 1 | 271,545 | 1 |
| Operating profit | 2,674,970 | 8 | 3,928,099 | 12 |
| Non-operating income and expenses: | | | | |
| Interest income | 85,130 | - | 30,076 | - |
| Other income | 101,580 | - | 66,256 | - |
| Other gains and losses | 71,818 | - | 917,257 | 3 |
| Finance costs | (175,468) | - | (110,741) | - |
| Share of gain of associates and joint ventures accounted for under equity method | 310,702 | 1 | 802,041 | 2 |
| Total non-operating income and expenses | 393,762 | 1 | 1,704,889 | 5 |
| Net income before tax | 3,068,732 | 9 | 5,632,988 | 17 |
| Less: tax expenses | 946,491 | 3 | 1,168,683 | 3 |
| Net income | 2,122,241 | 6 | 4,464,305 | 14 |
| Other comprehensive income: | | | | |
| Components of other comprehensive income (loss) that will not be reclassified to profit or loss | | | | |
| Losses on remeasurements of defined benefit plans | 51,983 | - | (31,893) | - |
| Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | (43,451) | - | 509,502 | 1 |
| Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | (473) | - | 21,345 | - |
| Components of other comprehensive income that will not be reclassified to profit or loss | 9,005 | - | 456,264 | 1 |
| Components of other comprehensive income (loss) that will be reclassified to profit or loss | | | | |
| Exchange differences on translation of foreign financial statements | 830,598 | 2 | (282,962) | (1) |
| Share of other comprehensive income of associates and joint ventures accounted for using equity method | (119,696) | - | 63,964 | - |
| Less: 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 | 710,902 | 2 | (218,998) | (1) |
| Other comprehensive income | 719,907 | 2 | 237,266 | - |
| Total comprehensive income | \$ 2,842,148 | 8 | 4,701,571 | 14 |
| Net income attributable to: | | | | |
| Shareholders of parent | \$ 1,782,763 | 5 | 3,930,939 | 12 |
| Non-controlling interests | 339,478 | 1 | 533,366 | 2 |
| | \$ 2,122,241 | 6 | 4,464,305 | 14 |
| Total comprehensive income attributable to: | | | | |
| Shareholders of parent | \$ 2,481,304 | 7 | 4,182,892 | 13 |
| Non-controlling interests | 360,844 | 1 | 518,679 | 1 |
| | \$ 2,842,148 | 8 | 4,701,571 | 14 |
| Basic earnings per share (in New Taiwan Dollars) | \$ 2.16 | | 4.76 | |
| Diluted earnings per share (in New Taiwan Dollars) | \$ 2.14 | | 4.73 | |

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant: Hsing-Jung Lin

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Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

| | Equity attributable to owners of parent | | | | |
|--|---|-----------------|------------------|----------------------------------|------------------|
| | Retained earnings | | | | Total |
| | Common stock | Capital surplus | Legal reserve | Unappropriated retained earnings | |
| Balance at January 1, 2021 | \$ 8,257,099 | 49,531 | 4,068,862 | 1,483,970 | 5,552,832 |
| Appropriation and distribution of retained earnings: | | | | | |
| Legal reserve | - | - | 4,818 | (4,818) | - |
| Cash dividends | - | - | - | (297,256) | (297,256) |
| Other changes in capital surplus | - | 1,194 | - | - | - |
| Net income | - | - | - | 3,930,939 | 3,930,939 |
| Other comprehensive income (loss) | - | - | - | (31,893) | (31,893) |
| Total comprehensive income (loss) | - | - | - | 3,899,046 | 3,899,046 |
| Balance at December 31, 2021 | 8,257,099 | 50,725 | 4,073,680 | 5,080,942 | 9,154,622 |
| Appropriation and distribution of retained earnings: | | | | | |
| Legal reserve | - | - | 389,904 | (389,904) | - |
| Cash dividends | - | - | - | (1,981,704) | (1,981,704) |
| Other changes in capital surplus | - | 1,000 | - | - | - |
| Net income | - | - | - | 1,782,763 | 1,782,763 |
| Other comprehensive income (loss) | - | - | - | 51,983 | 51,983 |
| Total comprehensive income (loss) | - | - | - | 1,834,746 | 1,834,746 |
| Balance at December 31, 2022 | <u>\$ 8,257,099</u> | <u>51,725</u> | <u>4,463,584</u> | <u>4,544,080</u> | <u>9,007,664</u> |

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(Expressed in Thousands of New Taiwan Dollars)

| Equity attributable to owners of parent | | | | | | |
|---|---|---|-----------|---|------------------------------|--------------|
| Total other equity interest | | | | | | |
| Financial state- ments transla- tion differences for foreign operations | Unrealized gains (losses) on financial assets measured at fair value through other compre- hensive income | Gains (losses) on hedging instru- ments | Total | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
| (198,125) | 558,902 | (81,119) | 279,658 | 14,139,120 | 1,719,539 | 15,858,659 |
| - | - | - | - | - | - | - |
| - | - | - | - | (297,256) | (140,350) | (437,606) |
| - | - | - | - | 1,194 | - | 1,194 |
| - | - | - | - | 3,930,939 | 533,366 | 4,464,305 |
| (258,583) | 488,157 | 54,272 | 283,846 | 251,953 | (14,687) | 237,266 |
| (258,583) | 488,157 | 54,272 | 283,846 | 4,182,892 | 518,679 | 4,701,571 |
| (456,708) | 1,047,059 | (26,847) | 563,504 | 18,025,950 | 2,097,868 | 20,123,818 |
| - | - | - | - | - | - | - |
| - | - | - | - | (1,981,704) | (253,999) | (2,235,703) |
| - | - | - | - | 1,000 | - | 1,000 |
| - | - | - | - | 1,782,763 | 339,478 | 2,122,241 |
| 708,478 | (42,978) | (18,942) | 646,558 | 698,541 | 21,366 | 719,907 |
| 708,478 | (42,978) | (18,942) | 646,558 | 2,481,304 | 360,844 | 2,842,148 |
| 251,770 | 1,004,081 | (45,789) | 1,210,062 | 18,526,550 | 2,204,713 | 20,731,263 |

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant: Hsing-Jung Lin

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TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|--|--------------|-------------|
| Cash flows from operating activities: | | |
| Consolidated net income before tax | \$ 3,068,732 | 5,632,988 |
| Adjustments: | | |
| Adjustments to reconcile profit and loss: | | |
| Depreciation | 1,174,029 | 1,087,768 |
| Amortization | 133,546 | 122,572 |
| Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9 | (2,843) | 2,362 |
| Interest expense | 175,468 | 110,741 |
| Interest income | (85,130) | (30,076) |
| Dividend income | (101,580) | (66,256) |
| Share of profit of associates and joint ventures accounted for under equity method | (310,702) | (802,041) |
| Loss (Gain) on disposal of property, plant and equipment | 22,349 | (900,164) |
| Amortization to operating costs and inventories | 78,678 | 78,363 |
| Total adjustments to reconcile profit and loss | 1,083,815 | (396,731) |
| Changes in operating assets and liabilities: | | |
| Net changes in operating assets: | | |
| Financial assets at fair value through profit or loss | 7,688 | (4,242) |
| Notes receivable | 10,879 | (380,597) |
| Accounts receivable | 675,044 | (916,852) |
| Other receivables | (52,194) | 59,195 |
| Inventories | (1,862,215) | (857,353) |
| Other current assets | (16,878) | 123,726 |
| Total changes in operating assets, net | (1,237,676) | (1,976,123) |
| Net changes in operating liabilities: | | |
| Financial liabilities at fair value through profit or loss | 36,373 | (32,272) |
| Accounts payable | 97,307 | (106,288) |
| Accounts payable - related parties | 31,920 | 1,316 |
| Other payables | (201,744) | 362,607 |
| Other current liabilities | 64,896 | 79,726 |
| Net defined benefit liability | (17,784) | (16,086) |
| Other non-current liabilities | 15,700 | (15,416) |
| Total changes in operating liabilities, net | 26,668 | 273,587 |
| Total changes in operating assets and liabilities, net | (1,211,008) | (1,702,536) |
| Total adjustments | (127,193) | (2,099,267) |

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| | 2022 | 2021 |
|---|---------------------|--------------------|
| Cash provided by operating activities | 2,941,539 | 3,533,721 |
| Interest income received | 85,675 | 23,218 |
| Interest paid | (146,868) | (108,987) |
| Income taxes paid | (643,172) | (745,979) |
| Net cash flow from operating activities | 2,237,174 | 2,701,973 |
| Cash flows from (used in) investing activities: | | |
| Acquisition of property, plant and equipment | (735,701) | (860,808) |
| Proceeds from disposal of property, plant and equipment | 19,456 | 1,217,515 |
| Decrease (increase) in other non-current assets | (21,813) | 38,839 |
| Increase in other prepayments | (596,499) | - |
| Dividends received | 199,106 | 149,573 |
| Decrease in restricted assets | 51,364 | 129,299 |
| Compensation for relocation | 212,166 | - |
| Net cash flow from (used in) investing activities | (871,921) | 674,418 |
| Cash flows from (used in) financing activities: | | |
| Increase in short-term borrowings | 30,608,164 | 24,560,598 |
| Decrease in short-term borrowings | (28,769,190) | (24,261,595) |
| Increase in short-term commercial paper payable | 1,552,820 | - |
| Decrease in short-term commercial paper payable | (1,305,000) | - |
| Proceeds from long-term borrowings | 838,510 | 1,709,548 |
| Repayments of long-term borrowings | (801,143) | (3,392,262) |
| Decrease in other long-term borrowings | (5,372) | - |
| Repayments of lease liabilities | (152,943) | (145,875) |
| Cash dividends paid | (2,228,062) | (437,591) |
| Overaging unclaimed dividends | - | 1,194 |
| Net cash used in financing activities | (262,216) | (1,965,983) |
| Effect of exchange rate changes on cash and cash equivalents | 710,828 | (224,116) |
| Net increase in cash and cash equivalents | 1,813,865 | 1,186,292 |
| Cash and cash equivalents at beginning of period | 4,464,755 | 3,278,463 |
| Cash and cash equivalents at end of period | \$ 6,278,620 | 4,464,755 |

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant: Hsing-Jung Lin

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Independent Auditors' Report

To the Board of Directors of TSRC Corporation:

Opinion

We have audited the parent company only financial statements of TSRC Corporation, which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the TSRC Corporation as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. 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 parent company only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Please refer to note 4(q) and 6(t) 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. 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 appropriate; 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 the fierce competition in the rubber manufacturing industry and the price of main materials fluctuate frequently, 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. 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 it is reasonable and is being implemented. The procedures include 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 Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the 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(including the Audit Committee) are responsible for overseeing the TSRC Corporation's financial reporting process.

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor' s report. However, future events or conditions may cause the TSRC Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only 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 in-

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

The engagement partners on the audit resulting in this independent auditors' report are Ming-Hung Huang and Lin Wu.

KPMG

Taipei, Taiwan (Republic of China) March 9, 2023

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TSRC CORPORATION

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| Assets | December 31, 2022 | | December 31, 2021 | |
|---|----------------------|------------|-------------------|------------|
| | Amount | % | Amount | % |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 395,361 | 1 | 140,115 | 1 |
| Financial assets at fair value through profit or loss - current | 14 | - | 713 | - |
| Notes receivable, net | - | - | 1,857 | - |
| Accounts receivable, net | 995,385 | 4 | 1,398,583 | 5 |
| Account receivable - related parties | 100,132 | - | 203,040 | 1 |
| Other receivables | 178,753 | 1 | 202,063 | 1 |
| Inventories | 2,030,094 | 7 | 1,670,515 | 7 |
| Other current assets | <u>156,382</u> | <u>1</u> | <u>193,123</u> | <u>1</u> |
| Total current assets | <u>3,856,121</u> | <u>14</u> | <u>3,810,009</u> | <u>16</u> |
| Non-current assets: | | | | |
| Non-current financial assets at fair value through other comprehensive income | 1,186,280 | 4 | 1,220,669 | 5 |
| Investments accounted for under equity method | 17,619,614 | 65 | 15,833,863 | 62 |
| Property, plant and equipment | 2,877,917 | 11 | 2,866,238 | 11 |
| Right-of-use assets | 92,967 | - | 43,833 | - |
| Investment property | 1,537,423 | 6 | 1,552,148 | 6 |
| Intangible assets | 66,408 | - | 69,112 | - |
| Deferred income tax assets | 32,094 | - | 28,187 | - |
| Other non-current assets | <u>48,197</u> | <u>-</u> | <u>21,521</u> | <u>-</u> |
| Total non-current assets | 23,460,900 | 86 | 21,635,571 | 84 |
| Total assets | <u>\$ 27,317,021</u> | <u>100</u> | <u>25,445,580</u> | <u>100</u> |

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant: Hsing-Jung Lin

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| Liabilities and Equity | December 31, 2022 | | December 31, 2021 | |
|---|----------------------|------------|-------------------|------------|
| | Amount | % | Amount | % |
| Current liabilities: | | | | |
| Short-term borrowings | \$ 3,081,185 | 11 | 2,205,053 | 9 |
| Short-term commercial paper payable | 249,704 | 1 | - | 2 |
| Current portion of long-term borrowings | 522,552 | 2 | 400,000 | - |
| Current portion of long-term payable | 349,767 | 1 | - | - |
| Financial liabilities at fair value through profit or loss — current | 3,665 | - | 93 | 3 |
| Accounts payables | 572,469 | 2 | 789,029 | - |
| Current income tax liabilities | 218,541 | 2 | 33,039 | 3 |
| Other payable | 669,505 | 2 | 726,615 | - |
| Current lease liabilities | 33,906 | - | 38,323 | - |
| Other current liabilities | 68,190 | - | 33,550 | - |
| Total current liabilities | 5,769,484 | 21 | 4,225,702 | 17 |
| Non-Current liabilities: | | | | |
| Long-term bank borrowings | 1,762,740 | 7 | 1,745,756 | 7 |
| Other long-term borrowings | - | - | 349,922 | 1 |
| Provision liabilities - non-current | 24,986 | - | 27,757 | - |
| Deferred income tax liabilities | 1,139,433 | 4 | 959,693 | 4 |
| Non-current lease liabilities | 59,190 | - | 6,124 | - |
| Other non-current liabilities | 34,638 | - | 104,676 | - |
| Total non-current liabilities | 3,020,987 | 11 | 3,193,928 | 12 |
| Total liabilities | 8,790,471 | 32 | 7,419,630 | 29 |
| Equity attributable to shareholders of the company : | | | | |
| Common stock | 8,257,099 | 30 | 8,257,099 | 32 |
| Capital surplus | 51,725 | - | 50,725 | - |
| Retained earnings: | | | | |
| Legal reserve | 4,463,584 | 16 | 4,073,680 | 16 |
| Unappropriated earnings | 4,544,080 | 17 | 5,080,942 | 20 |
| | 9,007,664 | 33 | 9,154,622 | 36 |
| Other equity: | | | | |
| Financial statement translation differences for foreign operations | 251,770 | 1 | (456,708) | (2) |
| Unrealized gain on financial assets measured at fair value through other comprehensive income | 1,004,081 | 4 | 1,047,059 | 5 |
| Gains (losses) on hedging instrument | (45,789) | - | (26,847) | - |
| | 1,210,062 | 5 | 563,504 | 3 |
| Total equity | 18,526,550 | 68 | 18,025,950 | 71 |
| Total liabilities and equity | \$ 27,317,021 | 100 | 25,445,580 | 100 |

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant: Hsing-Jung Lin

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Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

| | 2022 | | 2021 | |
|---|---------------|-----|------------|-----|
| | Amount | % | Amount | % |
| Revenue | \$ 11,291,163 | 100 | 11,150,474 | 100 |
| Operating costs | 9,145,145 | 81 | 8,950,930 | 80 |
| Gross profit from operations | 2,146,018 | 19 | 2,199,544 | 20 |
| Less: Unrealized gain on affiliated transactions | 5,616 | - | 27,755 | - |
| Gross profit | 2,140,402 | 19 | 2,171,789 | 20 |
| Operating expenses : | | | | |
| Selling expenses | 568,938 | 5 | 609,388 | 5 |
| General and administrative expenses | 524,158 | 5 | 526,203 | 5 |
| Research and development expenses | 270,613 | 2 | 263,947 | 2 |
| Reversal of impairment loss determined in accordance with IFRS 9 | (4) | - | (455) | - |
| Total operating expenses | 1,363,705 | 12 | 1,399,083 | 12 |
| Other income and expenses, net | 331,576 | 3 | 321,475 | 3 |
| Operating profit (loss) | 1,108,273 | 10 | 1,094,181 | 11 |
| Non-operating income and expenses : | | | | |
| Interest income | 2,587 | - | 5,107 | - |
| Other income | 77,924 | 1 | 59,252 | 1 |
| Other gains and losses | 41,891 | - | 1,011,054 | 9 |
| Finance costs | (83,145) | (1) | (59,273) | (1) |
| Share of profit from the subsidiaries, the associates and joint ventures | 1,081,086 | 10 | 2,230,890 | 20 |
| Total non-operating income and expenses | 1,120,343 | 10 | 3,247,030 | 29 |
| Net income before tax | 2,228,616 | 20 | 4,341,211 | 40 |
| Less: Income tax expenses | 445,853 | 4 | 410,272 | 4 |
| Net income | 1,782,763 | 16 | 3,930,939 | 36 |
| 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 | 51,983 | - | (31,893) | - |
| Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | (34,389) | - | 382,434 | 3 |
| Share of other comprehensive income of subsidiaries accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | (9,062) | - | 127,068 | 1 |
| Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | (473) | - | 21,345 | - |
| Components of other comprehensive income that will not be reclassified to profit or loss | 9,005 | - | 456,264 | 4 |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Financial statements translation differences for foreign operations | 708,478 | 6 | (258,583) | (2) |
| Share of other comprehensive income of subsidiaries accounted for using equity method | (18,942) | - | 54,272 | - |
| Less: 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 | 689,536 | 6 | (204,311) | (2) |
| Other comprehensive income | 698,541 | 6 | 251,953 | 2 |
| Total comprehensive income | \$ 2,481,304 | 22 | 4,182,892 | 38 |
| Basic earnings per share (in New Taiwan Dollars) | \$ 2.16 | | 4.76 | |
| Diluted earnings per share (in New Taiwan Dollars) | \$ 2.14 | | 4.73 | |

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant: Hsing-Jung Lin

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TSRC CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

| | <u>Retained earnings</u> | | | | |
|-------------------------------------|--------------------------|------------------------|----------------------|---|------------------|
| | <u>Common stock</u> | <u>Capital surplus</u> | <u>Legal reserve</u> | <u>Unappropriated retained earnings</u> | <u>Total</u> |
| Balance at January 1, 2021 | \$ 8,257,099 | 49,531 | 4,068,862 | 1,483,970 | 5,552,832 |
| Appropriation and distribution: | | | | | |
| Legal reserve | - | - | 4,818 | (4,818) | - |
| Cash dividends | - | - | - | (297,256) | (297,256) |
| Other changes in capital surplus | - | 1,194 | - | - | - |
| Net Income | - | - | - | 3,930,939 | 3,930,939 |
| Other comprehensive income (loss) | - | - | - | (31,893) | (31,893) |
| Total comprehensive income (loss) | - | - | - | 3,899,046 | 3,899,046 |
| Balance at December 31, 2021 | 8,257,099 | 50,725 | 4,073,680 | 5,080,942 | 9,154,622 |
| Appropriation and distribution: | | | | | |
| Legal reserve | - | - | 389,904 | (389,904) | - |
| Cash dividends | - | - | - | (1,981,704) | (1,981,704) |
| Other changes in capital surplus | - | 1,000 | - | - | - |
| Net income | - | - | - | 1,782,763 | 1,782,763 |
| Other comprehensive income (loss) | - | - | - | 51,983 | 51,983 |
| Total comprehensive income (loss) | - | - | - | 1,834,746 | 1,834,746 |
| Balance at December 31, 2022 | <u>\$ 8,257,099</u> | <u>51,725</u> | <u>4,463,584</u> | <u>4,544,080</u> | <u>9,007,664</u> |

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(Expressed in Thousands of New Taiwan Dollars)

| 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 | |
| (198,125) | 558,902 | (81,119) | 279,658 | 14,139,120 | |
| - | - | - | - | - | |
| - | - | - | - | (297,256) | |
| - | - | - | - | 1,194 | |
| - | - | - | - | 3,930,939 | |
| (258,583) | 488,157 | 54,272 | 283,846 | 251,953 | |
| (258,583) | 488,157 | 54,272 | 283,846 | 4,182,892 | |
| (456,708) | 1,047,059 | (26,847) | 563,504 | 18,025,950 | |
| - | - | - | - | - | |
| - | - | - | - | (1,981,704) | |
| - | - | - | - | 1,000 | |
| - | - | - | - | 1,782,763 | |
| 708,478 | (42,978) | (18,942) | 646,558 | 698,541 | |
| 708,478 | (42,978) | (18,942) | 646,558 | 2,481,304 | |
| 251,770 | 1,004,081 | (45,789) | 1,210,062 | 18,526,550 | |

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TSRC CORPORATION

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|---|--------------|-------------|
| Cash flows from (used in) operating activities: | | |
| Net income before tax | \$ 2,228,616 | 4,341,211 |
| Adjustments: | | |
| Adjustments to reconcile profit and loss: | | |
| Depreciation | 258,354 | 300,450 |
| Amortization | 24,139 | 20,108 |
| Reversal of impairment loss determined in accordance with IFRS 9 | (4) | (455) |
| Interest expense | 83,145 | 59,273 |
| Interest income | (2,587) | (5,107) |
| Dividend income | (77,924) | (59,252) |
| Share of profit of subsidiaries accounted for under equity method | (1,081,086) | (2,230,890) |
| Gain on disposal of property, plant and equipment | (120) | (1,011,238) |
| Unrealized gain on affiliated transactions | 5,616 | 27,755 |
| Amortization to operating costs and inventories | 31,109 | 31,639 |
| Unearned revenue from technology provided to investee | 12,265 | (2,608) |
| Total adjustments to reconcile profit and loss | (747,093) | (2,870,325) |
| Changes in operating assets and liabilities: | | |
| Net changes in operating assets: | | |
| Financial assets at fair value through profit or loss | 699 | 2,747 |
| Notes receivable | 1,857 | 485 |
| Accounts receivable | 403,202 | (452,714) |
| Accounts receivable - related parties | 102,908 | (115,767) |
| Other receivables | 24,331 | (84,469) |
| Inventories | (359,579) | (186,589) |
| Other current assets | (14,623) | 20,480 |
| Total changes in operating assets, net | 158,795 | (815,827) |
| Net changes in operating liabilities: | | |
| Financial liabilities at fair value through profit or loss | 3,572 | 12 |
| Accounts payable | (216,560) | 114,911 |
| Other payables | (69,649) | 219,729 |
| Other current liabilities | 34,640 | 18,911 |
| Net defined benefit liability | (17,784) | (16,086) |
| Other non-current liabilities | (271) | (167) |
| Total changes in operating liabilities, net | (266,052) | 337,310 |
| Total changes in operating assets and liabilities, net | (107,257) | (478,517) |

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| | 2022 | 2021 |
|--|-------------------|--------------------|
| Total adjustments | (854,350) | (3,348,842) |
| Cash provided by operating activities | 1,374,266 | 992,369 |
| Interest income received | 2,566 | 5,334 |
| Interest paid | (66,000) | (59,246) |
| Income taxes paid | (84,045) | (139,401) |
| Net cash flows from operating activities | 1,226,787 | 799,056 |
| Cash flows from (used in) investing activities: | | |
| Acquisition of investments accounted for under equity method | (44,843) | (64,462) |
| Acquisition of property, plant and equipment | (264,960) | (385,596) |
| Proceeds from disposal of property, plant and equipment | 120 | 1,213,830 |
| Decrease (increase) in other non-current assets | (26,676) | 19,729 |
| Dividends received | 77,924 | 59,252 |
| Decrease in restricted assets | 51,364 | 129,299 |
| Net cash flows from (used in) investing activities | (207,071) | 972,052 |
| Cash flows from (used in) financing activities: | | |
| Increase in short-term borrowings | 20,691,474 | 18,098,954 |
| Decrease in short-term borrowings | (19,815,342) | (18,591,383) |
| Increase in short-term commercial paper payable | 1,555,000 | - |
| Decrease in short-term commercial paper payable | (1,307,180) | - |
| Proceeds from long-term borrowings | 539,031 | 1,673,109 |
| Repayments of long-term borrowings | (399,495) | (2,601,071) |
| Decrease in other long-term borrowings | (5,372) | - |
| Payment of lease liabilities | (48,523) | (49,157) |
| Cash dividends paid | (1,974,063) | (297,241) |
| Over-aging unclaimed dividends | - | 1,194 |
| Net cash used in financing activities | (764,470) | (1,765,595) |
| Net increase in cash and cash equivalents | 255,246 | 5,513 |
| Cash and cash equivalents at beginning of period | 140,115 | 134,602 |
| Cash and cash equivalents at end of period | \$ 395,361 | 140,115 |

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant: Hsing-Jung Lin

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Audit Report of Audit Committee

To:

2022 Annual Shareholders' Meeting

Audit Report of Audit Committee

The Board of Directors has proposed the Company's 2022 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.

Sean Chao

The convener of Audit Committee TSRC Corporation

Date: March 9, 2023

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Appendix 1

Rules and Procedures 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. Where 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.
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.

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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

Articles of Incorporation

Amended on June 17, 2022

| | |
|--------------|---|
| 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. |

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Article 8. "Deleted"

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 shareholders who hold less than 1,000 registered shares by public notice.

Article 12-1. Shareholders' meetings of the Company may be held by way of videoconferences or other methods announced by the competent authority.
The shareholders' meeting of the Company by way of video conferences shall be subject to relevant laws and regulations and the Rules and Procedures of Shareholders' Meeting of the Company.

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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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 192-1 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. If the 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.

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. 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"

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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, who shall handle affairs of the Company in accordance with the laws, regulations, and the Board resolutions. 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 level of authority regulations of the Company.

Article 26. "Deleted"

Article 27. "Deleted"

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.

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| 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, and paying taxes, and set aside any statutory and appropriated retained earnings of 10% by ordinary resolution, may draw up the allocation of the balance remaining as bonuses, dividends, retained earnings or otherwise, shall be 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. For the distribution based on the above of paragraph, the cash dividend shall not be less than 20% of the total distribution. |
| 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. 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. |
| 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, 38th amendment is made on June 19th, 2020, 39th amendment is made on June 17th, 2022.

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Appendix 3

Disclosure of Directors' Shareholdings

April 2, 2023

| Job title | Name | Stockholders No . | Shares held |
|-------------------------------------|---|-------------------|-------------|
| Chairman | Wei Dar Development Co., Ltd. Representative: Nita Ing | 17471 | 53,708,923 |
| Director | Wei Dar Development Co., Ltd. Representative: Jing-Lung Huang | | |
| Director | Han-De Construction Co., Ltd. Representative: Chin-Shan Chiang | 147214 | 63,093,108 |
| Director | Han-De Construction Co., Ltd. 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 2, 2023, share capital on book closure date, there are 825,709,978 shares.