## Stock Code: 2103



# 2024

# **Annual Shareholders' Meeting Handbook**



Venue: FUBON International Conference Center

Method: Physical shareholders' Meeting

B2, No. 108 Dun Hua S. Road, Sec. 1 Taipei

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## Matter to be Reported

# (1) To Report 2023 Employees' Compensation and Directors' Compensation (Proposed by the Board of Directors)

The employees' compensation and Directors' compensation of the Company for 2023 was approved at the 19th and 20th Meeting of the 17th Board of Directors in accordance with the Article 28-1 of the Articles of Incorporation. NT\$69,009,793 in cash was distributed as employees' compensation while no Directors' compensation was distributed.

# (2) To Report the Distribution of 2023 Cash Dividend and Capital surplus (Proposed by the Board of Directors)

- According to Article 29 and Article 31 of the Articles of Incorporation of the Company, the Board
  of Directors is authorized to distribute cash dividends and cash from the capital surplus. The distribution shall be reported to the shareholders' meeting.
- 2. The Board of Directors has approved cash dividends of NT\$338,541,091 from 2023 earnings at NT\$0.41 per share, and cash distribution of NT\$123,856,497 from the capital surplus at NT\$0.15 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 authorizes 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)

To Ratify 2023 Business Report and Financial Statements Proposal:

- Explanations: 1. 2023 business report is shown in attachment 1 (please refer to page 6) with the Parent Company Only Financial Statements and Consolidated Financial Report (also in attachment 1, please refer to page 7-25). The above reports were resolved by 20th 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 26). Hence, we proposed to Annual Meeting of Shareholders for ratification.

Resolution:

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

To Ratify 2023 Earnings Distribution Proposal:

Explanations: 1. The proposed 2023 earnings distribution was approved by the Audit Committee and

the Board of Directors of the Company.

2. The proposed 2023 earnings distribution table is as below.

## **TSRC Corporation** 2023 Earnings Distribution Table

Unit: NTD

At the beginning of Unappropriated Retained Earnings	3,468,838,753
add: Net Income of 2023	680,017,871
subtract: Remeasurement of Defined Benefit Plan	(13,318,652)
Legal Reserve (10%)	(66,669,922)
Earnings Available for Distribution	4,068,868,050
Distributable items:	
Cash Dividend (NT\$ 0.41 per share)	(338,541,091)
At the end of Unappropriated Retained Earnings	3,730,326,959

Chairman:Nita Ing Chief Accountant: Hsing-Jung Lin Manager: Joseph Chai

Resolution:

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#### **Election of Directors**

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

To Elect the 18th Term of Directors Proposal:

- Explanations: 1. The 18th Board of Directors will be elected at this Shareholders' Meeting. The number of Directors to be elected has been determined by the Board of Directors as 7 (including 3 independent Directors). The tenure of newly elected directors shall be 3 years starting from the date of election, commencing on June 7, 2024 and expiring on June 6, 2027.
  - 2. The Directors shall be elected by adopting candidates' nomination system as provided under in Article 192-1 of the Company Law, and Article 16 of the company's Articles of Incorporation. The Directors shall be elected from the list of Director candidates, whose Academic Qualifications, Past and Current Positions, and relevant information are provided in Attachment 2 (please refer to page 27-28).

Results:

#### **Discussion Item**

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

To release non-competition restrictions on the members of the 18th Board of Directors Proposal:

- Explanations: 1. According to Article 209, Paragraph 1 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
  - 2. The 18th Term of Directors who has concurrent engagement that is within the business scope of the Corporation shall be approved by the Shareholders' Meeting to release the prohibition on Directors and its representatives from participation in competitive business. The explanations for concurrent engagement of the Directors are included hereto as Attachment 3 (please refer to page 29 ).

Resolution:

Other Business and Motions Adjournment

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#### Attachment 1

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#### **2023 Business Report**

The chemical industry experienced significant headwinds in profitability in 2023 due to the global economy growth slowdown, broad-cased supply chain destocking, steep price competition and rising cost pressure. Confronting the challenges and uncertainties, TSRC responded to the market changes with agility, focusing on its business plan execution and disciplined cost management, and maintained business resilience. The Synthetic Rubber business delivered solid performance leveraging the recovery of global automotive market, while the Advanced Materials business experienced significant profit erosion due to tepid demand and severe competition.

In 2023, the sales volume was 541 thousand metric tons, an increase of 4% versus 2022. Consolidated revenue was NTD 31,427 million, a decrease of 7% compared to NTD 33,841 million in 2022. Gross profit decreased 40% to NTD 3,308 million and gross margin was 11%. Operating profit was NTD 948 million, a decrease of 65% from 2022, and operating profit margin was 3%. As a result, TSRC delivered net income of NTD 680 million with an EPS (earnings per share) of NTD 0.82 in 2023.

In 2023, TSRC made steady progress in its ESG initiatives: achieved carbon reduction objectives, completed ISO certification for product carbon footprint (PCF), gained ISCC+ certification for its Kaohsiung plant, expanded community educational engagement program, "ChemCamp", and progressed on new product commercialization for EV tire & medical applications. TSRC continued its dedication to technic innovation and had 20 patents granted in 2023.

For 2024, the International Monetary Fund (IMF) forecast global economy to grow moderately at 3.1% as in 2023. The economic outlook is expected to be uncertain and constrained by the continued structural challenges in mainland China, geopolitical conflicts, and interest rate policy changes. Looking ahead, although the industry supply chain destocking is expected to stabilize, the market demand-supply imbalance is yet to be resolved as the end-application demand is still weak and market competition intensifies with the new supply capacities.

Facing the uncertain industry outlook, TSRC will focus to optimize production rate, carefully manage cost and capital expenditure, drive technology platform innovation to accelerate new product commercialization, and endeavor to deliver on customers' expectation for product performance and our strategic objectives for enterprise sustainability.

Chairman:Nita Ing

Manager: Joseph Chai

Chief Accountant: Hsing-Jung Lin

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#### **Consolidated Financial Statements**

#### **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 sheet as of December 31, 2023 and 2022, the consolidated statement 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 material 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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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, 2023. 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. Therefore, we consider it as the key audit matter.

How the matter was addressed in our audit:

Testing the effectiveness of the internal control design and implementation (both manual and system control) of sales and collecting cycle; reviewing the critical judgments, estimates and accounting treatment of revenue recognition for significant sales contracts for the appropriateness; analyzing the changes in the 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.

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#### 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.

#### **Other Matter**

TSRC Corporation has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC, SIC endorsed and issueed 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:

- 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 appropri-

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- ate 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.

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 Huang, Po-Shu and Huang, Ming-Hung.

**KPMG** 

Taipei, Taiwan (Republic of China)

March 7, 2024

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#### TSRC CORPORATION AND SUBSIDIARIES

#### **Consolidated Balance Sheets**

December 31, 2023 and 2022

#### Expressed in Thousands of New Taiwan Dollars

		•				
	b 21 - 20	December 31, 2 (After adjustm		January 1, 2022 (After adjustment		
Assets	 ecember 31, 20 Amount	) <u>23</u> %	(Note)) Amount	<del></del> %	(Note)) Amount	%
Current assets:	711104111				- / III duit	
Cash and cash equivalents	\$ 5,448,591	14	6,333,055	17	4,570,554	14
Current financial assets at fair value through profit or loss	-	-	14	-	7,702	_
Notes receivable, net	909,650	2	940,938	3	951,817	3
Accounts receivable, net	3,366,850	9	3,044,640	8	3,716,841	11
Other receivables	233,833	1	146,483	-	93,834	-
Inventories	6,652,861	18	7,492,032	20	5,629,817	17
Other current assets	 528,446	1	509,410	2	492,532	3
Total current assets	 17,140,231	<u>45</u>	18,466,572	<u>50</u>	15,463,097	<u>48</u>
Non-current assets:						
Financial assets at fair value through other comprehensive income - non-current	2,411,941	6	1,422,896	4	1,460,586	4
Investments accounted for under equity method	2,576,042	7	2,222,200	6	2,030,573	6
Property, plant and equipment	10,506,134	28	9,986,972	27	10,154,640	31
Right-of-use assets	1,628,017	4	959,689	3	867,485	3
Investment property	1,522,697	4	1,537,423	4	1,552,148	5
Intangible assets	739,458	2	867,813	3	892,679	3
Deferred income tax assets	536,615	1	308,747	1	253,434	1
Other non-current assets	 927,242	3	801,221	2	155,121	
Total non-current assets	20,848,146	55	18,106,961	50	17,366,666	53

	 		_		
Total assets	\$ 37,988,377	100 36,573,533	100	32,829,763	100
Note: See accompanying note 6(a) to consolidated financial statements.	 				

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant: Hsing-Jung Lin

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	December 31, 2023				2022	2 January 1, 2022	
Liabilities and Equity		Amount	%	Amount	%	Amount	%
Current liabilities:		<u> </u>					
Short-term borrowings	\$	4,580,149	12	6,079,332	17	4,006,365	12
Short-term commercial paper payable		-	-	249,704	1	_	-
Current portion of long-term borrowings		1,494,060	4	724,563	2	817,713	2
Current portion of long-term payables		-	-	349,767	1	-	_
Current financial liabilities at fair value through profit or loss		18,531	-	36,729	-	356	-
Accounts payable		2,091,719	6	1,634,283	3	1,536,976	5
Accounts payable - related parties		59,179	-	33,236	-	1,316	_
Current income tax liabilities		357,994	1	351,748	1	288,186	1
Other payables		1,472,539	4	1,433,551	4	1,560,933	5
Current lease liabilities (		144,672	-	127,731	-	128,928	-
Other current liabilities		214,590	1	272,907	1	208,011	2
Total current liabilities		10,433,433	28_	11,293,551	30_	8,548,784	27_
Non-current liabilities:							
Long-term bank borrowings		3,182,586	8	2,129,854	6	1,936,219	6
Other long-term borrowings		-	-	-	-	349,922	1
Non-current provision liabilities		241,016	1	270,284	1	269,536	1
Non-current income tax liabilities		98,026	-	-	-	-	-
Deferred income tax liabilities		1,617,177	4	1,383,801	4	1,089,204	3
Non-current lease liabilities		535,336	1	451,756	1	357,355	1
Other non-current liabilities		1,079,009	3	313,024	1	154,925	
Total non-current liabilities		6,753,150	17_	4,548,719	13_	4,157,161	12_
Total liabilities		17,186,583	45_	15,842,270	43_	12,705,945	39
Equity attributable to shareholders of the Company:							
Common stock		8,257,099	22	8,257,099	23	8,257,099	25
Capital surplus		179,833		51,725		50,725	
Retained earnings:							
Legal reserve		4,647,059	12	4,463,584	12	4,073,680	12
Unappropriated earnings		4,135,538	11_	4,544,080	12_	5,080,942	16_
		8,782,597	23_	9,007,664	24_	9,154,622	28_
Other equity:							
Financial statement translation differences for foreign operations		274,823	1	251,770	1	(456,708)	(1)
Unrealized gains or losses on financial assets measured at fair value		1,970,137	5	1,004,081	3	1,047,059	3
through other comprehensive income Gains or losses on hedging instrument		(42,669)	_	(45,789)	_	(26,847)	_
cans or record or readying manament		2,202,291	6	1,210,062	4	563,504	2
Total equity attributable to shareholders of the Company		19,421,820		18,526,550	51	18,025,950	
Non-controlling interests		1,379,974	4	2,204,713	6	2,097,868	6
Total equity	_	20,801,794		20,731,263			
Total liabilities and equity	\$	37,988,377	100	36,573,533	100	32,829,763	100
. ,	<del></del>			,			

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Chief Accountant: Hsing-Jung Lin

Manager:Joseph Chai

Chairman:Nita Ing

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#### TSRC CORPORATION AND SUBSIDIARIES

#### **Consolidated Statements of Comprehensive Income**

For the years ended December 31, 2023 and 2022

Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share

· · · · · · · · · · · · · · · · · · ·		2023		2022	
		Amount	%	Amount	%
Revenue	\$	31,426,889	100	33,841,197	100
Operating costs		28,118,423	89	28,327,924	84
Gross profit		3,308,466	11	5,513,273	16
Operating expenses :					
Selling expenses		1,130,137	5	1,679,407	5
General and administrative expenses		1,064,844	3	1,041,939	3
Research and development expenses		396,693	1	392,118	1
Reversal of impairment loss determined in accordance with IFRS9		(2,528)	_	(2,843)	_
Total operating expenses		2,589,146	9	3,110,621	9
Other income and expenses, net		228,596	1	272,318	
Operating profit		947,916	3	2,674,970	8
Non-operating income and expenses :					
Interest income		232,025	1	85,130	_
Other income		122,359	_	101,580	_
Other gains and losses		48,424	_	71,818	_
Finance costs		(347,572)	(1)	(175,468)	_
Share of gain of associates and joint ventures accounted for under equity method		420,931	1	310,702	1
Total non-operating income and expenses		476,167		393,762	
Net income before tax		1,424,083	4	3,068,732	9
Less: tax expenses		457,156	1	946,491	3
Net income		966,927	3	2.122.241	
Other comprehensive income:	_	900,927		2,122,2 <del>4</del> 1	
Components of other comprehensive income (loss) that will not be reclassified to					
profit or loss					
Losses on remeasurements of defined benefit plans		(13,318)	-	51,983	-
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (loss)  Less: Income tax related to components of other comprehensive income (loss) that		988,993	3	(43,451)	-
will not be reclassified to profit or loss		22,937		(473)	
Components of other comprehensive income (loss) that will not be reclassified to profit or loss		952,738	3	9,005	
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
Exchange differences on translation of foreign financial statements		(167,058)	_	830,598	2
Share of other comprehensive income of associates and joint ventures accounted					
for using equity method  Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	9	9,438	-	(119,696)	-
Components of other comprehensive income that will be reclassified to profit or			<u> </u>		
loss		(157,620)		710,902	2
Other comprehensive income	_	795,118	3	719,907	2
Total comprehensive income	<u>\$</u>	1,762,045	6	2,842,148	8
Net income attributable to:					
Shareholders of parent	\$	680,018	2	1,782,763	5
Non-controlling interests		286,909	1	339,478	1
Total comprehensive income attributable to:	<u>\$</u>	966,927		2,122,241	6
Shareholders of parent	\$	1,532,931	5	2,481,304	7
Non-controlling interests	7	229,114	1	360,844	1
	\$	1,762,045	6	2,842,148	8
Basic earnings per share (in New Taiwan Dollars)	\$		0.82		2.16
Diluted earnings per share (in New Taiwan dollars)	<u>≠</u> \$		0.82		2.14
Chairman Nita Ing Manager Joseph Chai	<u>*</u>	Chief Account			

Chairman:Nita Ing Manager:Joseph Chai Chief Accountant: Hsing-Jung Lin

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#### TSRC CORPORATION AND SUBSIDIARIES

## **Consolidated Statements of Changes in Equity**

For the years ended December 31, 2023 and 2022

Expressed in Thousands of New Taiwan Dollars

		Equity attributable to owners of parent										
		Retained earnings Total other equity interest										
	Common stock	Capital surplus	Legal reserve	Unappro- priated retained earnings	Total	Finan- cial state- ments transla- tion differ- ences for foreign opera- tions	Unre- alized gins (losses) on fi- nancial assets meas- ured at fair value hrough other com- pre- hensive income	Gains (losses) on hedg- into ments	Total	Total equity attrib- utable to owners of parent	Non-con- trolling interests	Total equity
Balance at January 1, 2022	\$ 8,257,099	50,725	4,073,680	5,080,942	9,154,622	(456,708)	1,047,059	(26,847)	563,504	18,025,950	2,097,868	20,123,818
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	389,904	(389,904)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(1,981,704)	(1,981,704)	-	-	-	-	(1,981,704)	(253,999)	(2,235,703)
Other changes in capital surplus	-	1,000	-	-	-	-	-	-	-	1,000	-	1,000
Net income	-	-	-	1,782,763	1,782,763	-	-	-	-	1,782,763	339,478	2,122,241
Other comprehensive income (loss)		-	-	51,983	51,983	708,478	(42,978)	(18,942)	646,558	698,541	21,366	719,907
Total comprehensive income (loss)		-		1,834,746	1,834,746	708,478	(42,978)	(18,942)	646,558	2,481,304	360,844	2,842,148
Balance at December 31, 2022	8,257,099	51,725	4,463,584	4,544,080	9,007,664	251,770	1,004,081	(45,789)	1,210,062	18,526,550	2,204,713	20,731,263
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	183,475	(183,475)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(891,767)	(891,767)	-	-	-	-	(891,767)	(163,335)	(1,055,102)
Other changes in capital surplus	-	1,561	-	-	-	-	-	-	-	1,561	-	1,561
Net income	-	-	-	680,018	680,018	-	-	-	-	680,018	286,909	966,927
Other comprehensive income (loss)		-	-	(13,318)	(13,318)	(102,945)	966,056	3,120	866,231	852,913	(57,795)	795,118
Total comprehensive income (loss)	<del>-</del>	-		666,700	666,700	(102,945)	966,056	3,120	866,231	1,532,931	229,114	1,762,045
Difference between consider- ation and carrying amount of subsidiaries acquired		126,547	-	-	-	125,998	-	-	125,998	252,545	(890,518)	(637,973)
Balance at December 31, 2023	\$ 8,257,099	179,833	4,647,059	4,135,538	8,782,597	274,823	1,970,137	(42,669)	2,202,291	19,421,820	1,379,974	20,801,794

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, 2023 and 2022

Expressed in Thousands of New Taiwan Dollars

	 2023	2022 (After adjustment (Note))
Cash flows from operating activities:		
Consolidated net income before tax	\$ 1,424,083	3,068,732
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation	1,181,146	1,174,029
Amortization	136,537	133,546
Reversal of impairment loss determined in accordance with IFRS 9	(2,528)	(2,843)
Interest expense	347,572	175,468
Interest income	(232,025)	(85,130)
Dividend income	(122,359)	(101,580)
Share of profit of associates and joint ventures accounted for under equity method	(420,931)	(310,702)
Loss on disposal of property, plant and equipment	6,198	22,349
Transfer to operating costs and inventories	 78,344	78,678
Total adjustments to reconcile profit and loss	 971,954	1,083,815
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Financial assets at fair value through profit or loss	14	7,688
Notes receivable	31,288	10,879
Accounts receivable	(319,682)	675,044
Other receivables	(72,210)	(52,194)
Inventories	839,171	(1,862,215)
Other current assets	 (19,036)	(16,878)
Total changes in operating assets, net	 459,545	(1,237,676)
Net changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	(18,198)	36,373
Accounts payable	457,436	97,307
Accounts payable - related parties	25,943	31,920
Other payables	(84,148)	(201,744)
Other current liabilities	(58,317)	64,896
Net defined benefit liability	(305)	(17,784)
Other non-current liabilities	 22,953	15,700
Total changes in operating liabilities, net	 345,364	26,668
Total changes in operating assets and liabilities, net	 804,909	(1,211,008)
Total adjustments	 1,776,863	(127,193)
Cash flow from operating activities	3,200,946	2,941,539

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#### Expressed in Thousands of New Taiwan Dollars

	2023	2022 (After adjustment (Note))
Interest income received	216,885	85,675
Interest paid	(330,233)	(146,868)
Income taxes paid	(370,313)	(643,172)
Net cash flow from operating activities	2,717,285	2,237,174
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(1,633,630)	(735,701)
Proceeds from disposal of property, plant and equipment	1,903	19,456
Increase in other non-current assets	(655,806)	(21,813)
Increase in other prepayments	-	(596,499)
Dividends received	171,204	199,106
Decrease in restricted assets	730,019	212,166
Net cash used in investing activities	(1,386,310)	(923,285)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	26,259,693	30,608,164
Decrease in short-term borrowings	(27,807,344)	(28,769,190)
Increase in short-term commercial paper payable	1,973,000	1,552,820
Decrease in short-term commercial paper payable	(2,223,000)	(1,305,000)
Proceeds from long-term borrowings	2,728,225	838,510
Repayments of long-term borrowings	(903,715)	(801,143)
Decrease in other long-term commercial paper payable	(350,000)	(5,372)
Repayments of lease liabilities	(168,464)	(152,943)
Cash dividends paid	(1,055,102)	(2,228,062)
Change in non-controlling interests	(637,659)	-
Overaging unclaimed dividends	2,561	
Net cash used in financing activities	(2,181,805)	(262,216)
Effect of exchange rate changes on cash and cash equivalents	(33,634)	710,828
Net increase (decrease) in cash and cash equivalents	(884,464)	1,762,501
Cash and cash equivalents at beginning of period	6,333,055	4,570,554
Cash and cash equivalents at end of period	\$ 5,448,591	6,333,055
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Note: See accompanying note 6(a) to consolidated financial statements.

Chairman:Nita Ing Manager:Joseph Chai Chief Accountant: Hsing-Jung Lin

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## **Parent Company Only Financial Statements**

## **Independent Auditors' Report**

To the Board of Directors of TSRC Corporation:

#### Opinion

We have audited the financial statements of TSRC Corporation("the Company"), which comprise the balance sheet as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material 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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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, 2023. 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.

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 the internal control design and implementation (both manual and system control) of sales and collecting cycle; reviewing the critical judgments, estimates and accounting treatment of revenue recognition for significant sales contracts for the appropriateness; analyzing the changes in the 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

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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.

## 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 pro-

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fessional judgment and professional skepticism throughout the audit. We also:

- 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.
- 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.
- 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 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

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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 Huang, Po-Shu and Huang, Ming-Hung.

KPMG

Taipei, Taiwan (Republic of China)

March 7, 2024

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#### TSRC CORPORATION

#### **Balance Sheets**

December 31, 2023 and 2022

Expressed in Thousands of New Taiwan Dollars

	December 31, 2023		December 31, 2 (After adjustm (Note))		January 1, 2022 (After adjustment (Note))		
Assets	Amount	%	Amount	%	Amount	%	
Current assets:							
Cash and cash equivalents	\$ 119,128	-	449,796	1	245,914	1	
Financial assets at fair value through profit or loss - current	-	-	14	-	713	1-	
Notes receivable, net	-	-	-	-	1,857	÷-	
Accounts receivable, net	1,049,429	4	995,385	4	1,398,583	5	
Account receivable - related parties	86,396	-	100,132	-	203,040	1	
Other receivables	198,389	1	178,753	1	202,063	1	
Inventories	1,992,764	7	2,030,094	7	1,670,515	7	
Other current assets	116,478	1	101,947	1	87,324		
Total current assets	3,562,584	13	3,856,121	14	3,810,009	<u>15</u>	
Non-current assets:							
Non-current financial assets at fair value through other comprehensive income	2,015,236	7	1,186,280	4	1,220,669	5	
Investments accounted for under equity method	18,106,857	64	17,619,614	65	15,833,863	62	
Property, plant and equipment	2,963,365	10	2,877,917	11	2,866,238	11	
Right-of-use assets	190,273	1	92,967	-	43,833	-	
Investment property	1,522,697	5	1,537,423	6	1,552,148	6	
Intangible assets	48,478	-	66,408	-	69,112	-	
Deferred income tax assets	21,603	-	32,094	-	28,187	-	
Other non-current assets	72,641		48,197		21,521		
Total non-current assets	24,941,150	87	23,460,900	86	21,635,571	84	

Total assets	\$ 28,503,734	100	27,317,021	100	25,445,580	100
Note: See accompanying note 6(a) to parent company only financial statements.						

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant: Hsing-Jung Lin

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Expressed in Thousands of New Taiwan Dollars

		ecember 31, 2	.023	December 31,	2022	January 1, 2022	
Liabilities and Equity		Amount	%	Amount	%	Amount	%
Current liabilities:							
Short-term borrowings	\$	1,936,291	7	3,081,185	11	2,205,053	9
Short-term commercial paper payable		-	-	249,704	1	-	2
Current portion of long-term borrowings		1,377,267	5	522,552	2	400,000	_
Current portion of long-term payable		-	-	349,767	1	-	-[
Financial liabilities at fair value through profit or loss — current		1,227	-	3,665	-	93	3
Accounts payables		828,910	3	572,469	2	789,029	
Current income tax liabilities		185,206	1	218,541	2	33,039	3
Other payable		628,205	2	669,505	2	726,615	-
Current lease liabilities		42,991	-	33,906	-	38,323	-
Other current liabilities		60,848		68,190		33,550	
Total current liabilities		5,060,945	18_	5,769,484	21	4,225,702	17_
Non-current liabilities:							
Long-term bank borrowings		2,464,560	9	1,762,740	7	1,745,756	7
Other long-term borrowings		-	-	-	-	349,922	1
Non-current provision liabilities		-	-	24,986	-	27,757	-
Non-current income tax liabilities		98,026	-	-	4	-	-
Deferred income tax liabilities		1,263,147	4	1,139,433	-	959,693	4
Non-current lease liabilities		147,737	1	59,190	-	6,124	-
Other non-current liabilities		47,499		34,638		104,676	
Total non-current liabilities		4,020,969	14_	3,020,987	11_	3,193,928	12
Total liabilities		9,081,914	32_	8,790,471	32	7,419,630	29_
Equity attributable to shareholders of the company:							
Common stock		8,257,099	29_	8,257,099	30_	8,257,099	32_
Capital surplus		179,833	1	51,725		50,725	
Retained earnings:							
Legal reserve		4,647,059	15	4,463,584	16	4,073,680	16
Unappropriated earnings		4,135,538	15_	4,544,080	17_	5,080,942	20_
		8,782,597	30_	9,007,664	33_	9,154,622	36_
Other equity:							
Financial statement translation differences for foreign operations		274,823	1	251,770	1	(456,708)	(2)
Unrealized gain on financial assets measured at fair value through other comprehensive income		1,970,137	7	1,004,081	4	1,047,059	5
Gains or losses on hedging instrument		(42,669)		(45,789)		(26,847)	
Tabel and a		2,202,291	8	1,210,062	5	563,504	3_
Total equity		19,421,820	<u>68</u>	18,526,550	<u>68</u>	18,025,950	7 <u>1</u> _
Total liabilities and equity	<u>\$</u>	28,503,734	100	27,317,021	100	25,445,580	100

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant: Hsing-Jung Lin

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#### TSRC CORPORATION

#### **Statements of Comprehensive Income**

For the years ended December 31, 2023 and 2022

Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share

		2023		2022	4
		Amount	%	Amount	%
Revenue	\$	10,449,554	100	11,291,163	100
Operating costs	*	9,001,724	86	9,145,145	81
Gross profit from operations		1,447,830	14	2,146,018	19
Less: Unrealized gain on affiliated transactions		(8,543)	_	5,616	<u> </u>
Gross profit		1,456,373	14	2,140,402	19
Operating expenses :					
Selling expenses		405.037	4	568,938	5
General and administrative expenses		541,539	5	524,158	5
Research and development expenses		264,125	3	270,613	2
Reversal of impairment loss determined in accordance with IFRS 9		(806)	_	(4)	_
Total operating expenses		1,209,895	12	1,363,705	12
Other income and expenses, net		269,015	3	331,576	3
Operating profit		515,493		1,108,273	10
Non-operating income and expenses :		<u> </u>		<u> </u>	
Interest income		3,558	_	2,587	_
Other income		100,898	1	77,924	1
Other gains and losses		34,172	_	41,891	_
Finance costs		(153,560)	(1)	(83,145)	(1)
Share of profit from the subsidiaries, the associates and joint ventures		426,984	4	1,081,086	10
Total non-operating income and expenses		412,052	4	1,120,343	10
Net income before tax		927,545	9	2,228,616	20
Less: Income tax expenses		247,527	2	445,853	4
Net income		680,018		1,782,763	16
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		(13,318)	-	51,983	-
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		828,956	8	(34,389)	-
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		160,037	1	(9,062)	_
Less: Income tax related to components of other comprehensive income that will not		22,937		(473)	
be reclassified to profit or loss  Components of other comprehensive income that will not be reclassified to profit		22,937		(4/5)	
or loss		952,738	9_	9,005	
Items that may be reclassified subsequently to profit or loss					
Financial statements translation differences for foreign operations		(102,945)	(1)	708,478	6
Share of other comprehensive income of subsidiaries accounted for using equity method  Less: Income tax related to components of other comprehensive income that will be		3,120	-	(18,942)	-
reclassified to profit or loss  Components of other comprehensive income that will be reclassified to profit or				-	_
loss		(99,825)	(1)_	689,536	6
Other comprehensive income		852,913	8	698,541	6
Total comprehensive income	\$	1,532,931	15	2,481,304	22
Basic earnings per share (in New Taiwan dollars)	\$		0.82		2.16
Diluted earnings per share (in New Taiwan dollars)	\$		0.82		2.14

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, 2023 and 2022

Expressed in Thousands of New Taiwan Dollars

	Total other equity interest										
				Re	tained earning	ļs					
	Co	ommon stock	Capital surplus	<u>Legal reserve</u>	Unappro- priated retained earnings	Total	Financial statements translation differences for foreign operations	Unreal- ized gains (losses) on financial assets measured at fair value through other compre- hensive income	Gains (losses) on effective portion of cash flow hedges	Total	Total equity
Balance at January 1, 2022	\$	8,257,099	50,725	4,073,680	5,080,942	9,154,622	(456,708)	1,047,059	(26,847)	563,504	18,025,950
Appropriation and distribution:											
Legal reserve		-	-	389,904	(389,904)	-	-	-	-	-	-
Cash dividends		-	-	-	(1,981,704)	(1,981,704)	-	-	-	-	(1,981,704)
Other changes in capital surplus		-	1,000	-	-	-	-	-	-	-	1,000
Net Income		-	-	-	1,782,763	1,782,763	-	-	-	-	1,782,763
Other comprehensive income (loss)		<del>-</del>		· <del></del> ·	51,983	51,983	708,478	(42,978)	(18,942)	646,558	698,541
Total comprehensive income (loss)	_	<del>-</del>	-	·	1,834,746	1,834,746	708,478	(42,978)	(18,942)	646,558	2,481,304
Balance at December 31, 2022		8,257,099	51,725	4,463,584	4,544,080	9,007,664	251,770	1,004,081	(45,789)	1,210,062	18,526,550
Appropriation and distribution:											
Legal reserve		-	-	183,475	(183,475)	-	-	-	-	-	-
Cash dividends		-	-	-	(891,767)	(891,767)	-	-	-	-	(891,767)
Other changes in capital surplus		-	1,561	-	-	-	-	-	-	-	1,561
Net income		-	-	-	680,018	680,018	-	-	-		680,018
Other comprehensive income (loss)	_	<del></del> .			(13,318)	(13,318)	(102,945)	966,056	3,120	866,231	852,913
Total comprehensive income (loss) Difference between consideration		<u> </u>		<u>-</u>	666,700	666,700	(102,945)	966,056	3,120	866,231	1,532,931
and carrying amount of subsidiaries acquired	_		126,547				125,998			125,998	252,545
Balance at December 31, 2023	\$	8,257,099	179,833	4,647,059	4,135,538	8,782,597	274,823	1,970,137	(42,669)	2,202,291	19,421,820

Total other equity interest

Chairman:Nita Ing

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TSRC CORPORATION

#### **Statements of Cash Flows**

For the years ended December 31, 2023 and 2022

For the years ended December 31, 2023 and 2022	Expressed in Thousands	of Now Taiwan Dollars
	2023	2022 (After adjustment (Note))
Cash flows from (used in) operating activities:		
Net income before tax	\$ 927,545	2,228,616
Adjustments:	Ψ <u>327,313</u>	2,220,010
Adjustments to reconcile profit and loss:		
Depreciation	260,766	258,354
Amortization	21,459	24,139
Reversal of impairment loss determined in accordance with IFRS 9	(806)	
Interest expense	153,560	83,145
Interest income	(3,558)	
Dividend income	(100,898)	
Share of profit of subsidiaries accounted for under equity method	(426,984)	
Gain on disposal of property, plant and equipment	-	(120)
Unrealized gain on affiliated transactions	(8,543)	
Amortization to operating costs and inventories	31,059	31,109
Unearned revenue from technology provided to investee	27,242	12,265
Total adjustments to reconcile profit and loss	(46,703)	(747,093)
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Financial assets at fair value through profit or loss	14	699
Notes receivable	-	1,857
Accounts receivable	(53,238)	403,202
Accounts receivable - related parties	13,736	102,908
Other receivables	(19,659)	24,331
Inventories	37,330	(359,579)
Other current assets	(14,531)	(14,623)
Total changes in operating assets, net	(36,348)	158,795
Net changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	(2,438)	3,572
Accounts payable	256,441	(216,560)
Other payables	(42,152)	(69,649)
Other current liabilities	(7,342)	34,640
Net defined benefit liability	(305)	(17,784)
Other non-current liabilities	(152)	(271)
Total changes in operating liabilities, net	204,052	(266,052)

24

167,704

(107, 257)

Total changes in operating assets and liabilities, net

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Expressed in Thousands of New Taiwan Dollars

2022

	_	2023	(After adjustment (Note))
Total adjustments	_	121,001	(854,350)
Cash provided by operating activities		1,048,546	1,374,266
Interest income received		3,581	2,566
Interest paid		(152,229)	(66,000)
Income taxes paid	_	(71,568)	(84,045)
Net cash flows from operating activities	_	828,330	1,226,787
Cash flows from (used in) investing activities:			
Acquisition of investments accounted for under equity method		-	(44,843)
Acquisition of property, plant and equipment		(316,251)	(264,960)
Proceeds from disposal of property, plant and equipment		-	120
Increase in other non-current assets		(24,444)	(26,676)
Dividends received	_	309,711	77,924
Net cash used in investing activities	_	(30,984)	(258,435)
Cash flows from (used in) financing activities:			
Increase in short-term borrowings		17,832,260	20,691,474
Decrease in short-term borrowings		(18,977,154)	(19,815,342)
Increase in short-term commercial paper payable		1,973,000	1,555,000
Decrease in short-term commercial paper payable		(2,223,000)	(1,307,180)
Proceeds from long-term borrowings		2,077,720	539,031
Repayments of long-term borrowings		(521,185)	(399,495)
Decrease in other long-term borrowings		(350,000)	(5,372)
Payment of lease liabilities		(50,449)	(48,523)
Cash dividends paid		(891,767)	(1,974,063)
Over-aging unclaimed dividends	_	2,561	
Net cash used in financing activities	_	(1,128,014)	(764,470)
Net increase (decrease) in cash and cash equivalents		(330,668)	203,882
Cash and cash equivalents at beginning of period	_	449,796	245,914
Cash and cash equivalents at end of period	<u>\$</u>	119,128	449,796

Note: See accompanying note 6(a) to parent company only financial statements.

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant: Hsing-Jung Lin

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## **Audit Report of Audit Committee**

To:

2023 Annual Shareholders' Meeting

#### **Audit Report of Audit Committee**

The Board of Directors has proposed the Company's 2023 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 7, 2024

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## **List of Director Candidates (Including Independent Directors)**

No.	Title	Name	Shares held	Academic Qualifica- tions	Major Past Positions & Current Positions
1	Direc- tor	Wei-Dar Devel- opment Co., Ltd. Representative: Ms. Nita Ing	53,708,923	Bachelors' degree in Department of Eco- nomics, UCLA	Experience: Chairman of Continental Engineering Corporation Chairman of Taiwan High Speed Rail Corporation President of Continental Engineering Corporation Director of Continental Development Corporation Director of American Bridge Holding Co. Vice Chairman of TSRC Corporation Current Positions: Chairman of TSRC Corporation Chairman of Continental Holdings Corporation Chairman of Hao Ran Foundation
2	Direc- tor	Wei-Dar Devel- opment Co., Ltd. Representative: Mr. John Huang	53,708,923	Bachelor's degree in Accounting, NCKU	<ul> <li>Experience:         <ul> <li>Director of Continental Engineering Corporation</li> <li>Director, of Continental Development Corporation</li> <li>Chief Auditor of Taiwan High Speed Rail Corporation</li> <li>President of Suzhou Standard Foods Company Ltd</li> <li>Chief Auditor of Philips Companies in Taiwan</li> <li>Audit Assistant Manager, Deloitte Touche Tohmatsu Limited</li> </ul> </li> <li>Current Positions:         <ul> <li>Director of TSRC Corporation</li> <li>Director of Continental Holdings Corporation</li> <li>Director of CDC Commercial Development Corporation</li> </ul> </li> </ul>
3	Direc- tor	Han-De Con- struction Co., Ltd. Representative: Mr. Charles Y. Huang	63,093,108	MBA, The Wharton School of University of Pennsylvania     Bachelor's degree in Chemistry, University of Pennsylvania	<ul> <li>Experience:         <ul> <li>Chairman of Taiwan Sugar Corporation</li> <li>Director of Continental Holdings Corporation</li> <li>Chairman and CEO/ Supervisor of TSRC Corporation</li> <li>Independent Director of San Fu Chemical Co. Ltd.</li> <li>Executive Director of Federal Group</li> <li>Director of Industrial Technology Research Institute</li> </ul> </li> <li>Current Positions:         <ul> <li>Chairman of Circular Taiwan Network</li> <li>Director of Agricultural Technology Research Institute</li> <li>Independent Director of En Tie Commercial Bank</li> <li>Chair Professor of Academy of Circular Economy, NCHU</li> </ul> </li> </ul>

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No.	Title	Name	Shares held	Academic Qualifications	Major Past Positions & Current Positions
4	Direc- tor	Han-De Con- struction Co., Ltd. Representative: Ms. Monling Lee	63,093,108	MBA in Management &Technology     Program, Rensselaer Polytechnic     Institute, Troy,     New York, USA     Bachelor's degree in Accounting,     Soochow University	<ul> <li>Experience:</li> <li>Vice President of Finance Department, Continental-Engineering Corporation</li> <li>Senior Vice President/Vice President of Taishin International Bank Co., Ltd.</li> <li>Current Positions:</li> <li>Director of Metropolis Property Management Corp.</li> <li>Director of Evergreen Steel Corp.</li> <li>Director of Hsin Yung Enterprise Corp.</li> <li>Director of La Mer Corp.</li> </ul>
5	Inde- pen- dent Direc- tor	Mr. Sean Chao	0	<ul> <li>Master's degree in Business Adminis- tration, University of Chicago</li> <li>Bachelor's degree in Politics and International Rela- tions, NTU</li> </ul>	Experience:
6	Inde- pen- dent Direc- tor	Mr. Rex Yang	0	Bachelor's degree in Business Admin- istration, Soochow University	Experience:  CFO of Continental Holdings Corporation  Chairman of Teapo Electronic Co., Ltd  CFO/CSO of Yageo Corporation  CFO of Eastern New Century Corporation  Current Positions:  Independent Director of TSRC Corporation  Independent Director of Visco Vision Inc.
7	Inde- pen- dent Direc- tor	Ms. Ellen Tsai	0	<ul> <li>Master's degree and Doctor's de- gree in Law, Uni- versity of Tokyo</li> <li>Bachelor's degree and Master's De- gree in Law, NTU</li> </ul>	Experience:  Assistant professor /Associate professor of College of Law, NTU  Practicing lawyer of Formosa Transnational Attorneys at Law  Independent Director of CHO Pharma, Inc.  Current Positions:  Professor of College of Law, National Taiwan University  Independent Director of E.SUN FHC  Independent Director of E.SUN Bank

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## List of Candidates for the 18th term of Directors to be released from non-competition restrictions

Title	Name	Concurrent Positions		
Director	Wei-Dar Development Co., Ltd. Representative: Ms. Nita Ing	Chairman of Continental Holdings Corporation     Chairman of Hao Ran Foundation		
Director	<ul> <li>Wei-Dar Development Co., Ltd.</li> <li>Representative:</li> <li>Mr. John Huang</li> <li>Director of CDC Commercial Development Corporation</li> </ul>			
Director	Han-De Construction Co., Ltd. Representative: Mr. Charles Y. Huang	<ul> <li>Chairman of Circular Taiwan Network</li> <li>Director of Agricultural Technology Research Institute</li> <li>Independent Director of En Tie Commercial Bank</li> <li>Chair Professor of Academy of Circular Economy, NCHU</li> </ul>		
Director	Han-De Construction Co., Ltd. Representative: Ms. Monling Lee	<ul> <li>Director of Metropolis Property Management Corp.</li> <li>Director of Evergreen Steel Corp.</li> <li>Director of Hsin Yung Enterprise Corp.</li> <li>Director of La Mer Corp.</li> </ul>		
Indepen- dent Director	Mr. Sean Chao	<ul> <li>Independent Director of Hannstar Display Corporation</li> <li>Independent Director of National Aerospace Fasteners Corporation</li> </ul>		
Independent Mr. Rex Yang Director		· Independent Director of Visco Vision Inc.		
Indepen- dent Director	Ms. Ellen Tsai	<ul> <li>Professor at College of Law, National Taiwan University</li> <li>Independent Director of E.SUN FHC</li> <li>Independent Director of E.SUN Bank</li> </ul>		

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#### Appendix 1

## **Rules and Procedures of Shareholders' Meeting**

Amended on June 10, 2015

- The shareholders' meeting of the Company shall be conducted in accordance with these Rules and Procedures for Shareholders' Meeting (the "Rules").
- The shareholders (or their proxies) attending the shareholders' meeting shall hand their attendance cards to the Company in lieu of signing in. The number of shares present in the meeting will be calculated based on the shares indicated by the attendance cards and plus the number of shares that have exercised their voting rights electronically. Any proxy that is not a shareholder of the Company and any proxy solicitor shall bring their IDs for the verification of their identities.

The following shares of the Company shall have no voting rights and will not be counted toward the total number of issued shares and the number of shares in attendance:

- (1) shares held by the Company pursuant to the law.
- (2) shares held by any subsidiary in which the Company holds more than 50% of all issued voting shares or of which the Company holds more than 50% of the aggregate capital.
- (3) shares held by other companies in which the Company and its subsidiaries hold, either directly or indirectly, more than 50% of all issued voting shares or of which the Company and its subsidiaries hold more than 50% of the aggregate capital.
- 2-1. The chair of the meeting may appoint designated attorneys, certified public accountants or other relevant personnel to attend the shareholders' meeting in non-voting capacity.
  - The chair may also direct personnel organizing the shareholders' meeting and the proctors (or security officers) maintaining the on-site order to assist with the proceeding of the meeting, provided that those individuals shall wear a badge or armband.
- 3. The chair shall call the meeting to order at the designated meeting time; provided, however, that if the shareholders present at the shareholders' meeting do not represent more than 50% of the total number of the issued shares, the chair may announce postponement of the meeting up to two times. The postponement shall last less than one hour in the aggregate. If, after two postponements, the quorum is still not met, but the shareholders present at the meeting can represent more than one-third the total number of the issued shares, a tentative resolution may be made pursuant to Article 175, Paragraph 1 of the Company Act.
  - When, prior to the conclusion of the meeting, the shareholders present at the meeting represent more than 50% of the total number of the issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.
- 4. The meeting agenda shall be set by the Board of Directors, and the meeting shall proceed in accordance with the order of the agenda which may not be changed without a resolution of the shareholders' meeting.

The chair may not declare the meeting adjourned prior to the completion of the meeting agenda (including extraordinary motions) as decided under the preceding paragraph, except by way of the resolution of the shareholders' meeting.

Once the meeting is adjourned, any shareholder may not elect another chairpersion to resume the meeting either at the original or a different venue. However, if the chair declares the meeting adjourned in violation of the Rules, a new chair may be elected by a majority vote of the shareholders present at the meeting and resume the shareholders' meeting.

If there is amendment to or substitute for a propsal, the chair shall decide the order of voting on the proposal, the amendment or the substitute. If any of them is passed at the meeting, the others will be deemed as vetoed and no further voting shall be required.

The chair of the meeting shall preside over the discussion and order of voting in relation to each proposal moved as an extraordinary motion.

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- 4-1. The Board of Directors shall specify, in the ordinary shareholders' meeting handbook, the reasons for not including any proposal submittd by shareholder in the meeting agenda. Such proposal will not be included in the meeting agenda nor will it be recorded in the meeting minutes.
  - If any shareholder-submitted proposal may be listed in the meeting agenda under paragraph 3 of Article 4-2 of the Procedure Rules of the Board of Directors Meeting, the chair of the sharheolers' meeting shall combine it with other proposals of similar nature and paragraph 5 of Article 4 above shall apply mutatis mutandis.
- 4-2. If any shareholder appoints a juristic person who is not a shareholder of the Company as a proxy to attend the shareholders' meeting, such juristic person shall designate only one person to attend and speak on the shareholder's behalf.
  - Only one person shall be designated to speak as a representative of any government or corporate shareholder who appoints two or more representatives to attend the shareholders' meeting, or who attends the shareholders' meeting as a proxy on behalf of another shareholder.
- 4-3. If the shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairperson of the Board of Directors (the "Chairperson"). The Vice Chairperson shall act on behalf of the Chairperson if the Chairperson is on leave or for any reason unable to exercise his or her powers as Chairperson. If there is no Vice Chairperson or the Vice Chairperson is also on leave or for any reason unable to exercise the powers of his or her position, the Chairperson shall appoint a director to act on his or her behalf, or if no such director is appointed, the directors shall select one person from among themselves to serve as the chair of the meeting. If the shareholders' meeting is convened by any other party with the power to convene, such convening party shall serve as the chair of the meeting, and if there are two or more such convening parties, a chair shall be mutually selected from among themselves.
- 5. Before speaking, an attending shareholder who wishes to speak must specify on a speaker's slip the subject of the speech, attendance card number and name. The chair of the meeting will decide the order in which the shareholders speak. Any attending shareholder who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content will prevail.
- 6. Each shareholder may speak to inquire any report matter on the agenda only after all report matters have been read out or briefed by the chair of the meeting or the designee thereof. Any shareholder may not speak more than twice, and each time may not exceed five minutes. However, with the consent of the chair, the duration of the speech may be extended for another five minutes but only once.
  - The duration and the number of times for which each shareholder may speak on each proposal for ratification or discussion, or each extraordinary motion shall be in accordance with the preceding paragraph.
  - During the section of extraordinary motion, the duration and the number of times for which each shareholder may speak on a matter not constituting a proposal shall be in accordance with paragraph 1 of this Article 6.
- 6-1. After the speech of a shareholder, the chair may respond in person or appoint any relevant personnel to respond.
- 7. If any shareholder's speech exceeds the stipulated duration of time or the scope of the agenda items, the chair may discontinue the speech. If afterwards the shareholder still goes on speaking or otherwise act in any manner that impedes the proceeding of the meeting, the chair may direct the proctors (or security officers) to maintain the order on-site or take necessary measures to keep the meeting moving smoothly.
  - When one shareholder is speaking, the other shareholders at the meeting may not speak or interrupt unless with the consent of the chair and the shareholder who is taking the floor. The chair shall stop any shareholder from violating the aforementioned provision and will take necessary measures as set forth in the preceding paragraph.
- 8. During discussion of the proposals, the chair of the meeting may give the order to end the discussion and put the matter to the vote.

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9. The passage of any proposal at the meeting shall require an affirmative vote of an absolute majority of the voting rights represented by the shareholders present at the meeting except as otherwise provided in the Company Act and in the Company's Articles of Incorporation,. However, the election of directors shall be conducted in accordance with the Rules for Election of Directors.

The shareholders may exercise their voting rights either by correspondence or by electronic means. The exercise method shall be specified in the notice of the shareholders' meeting.

Any shareholder exercising voting rights by correspondence or by electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to the original proposals of that meeting.

The resolution result of the proposals shall be specified in detail in the meeting minutes.

- 9-1. Two vote monitoring personnel and several counting personnel shall be appointed by the chair of the meeting when the proposals are put to the vote, provided that all vote monitoring personnel shall be shareholders of the Company. The votes on the ballots will not be read aloud during the counting process. The result of voting shall be announced on site and recorded at the meeting.
- 10. In case that all vote monitoring personnel believe any of the following situations occurs, the relevant ballot shall be considered invalid:
  - (1) The ballot paper is not made and printed by the Board of Directors or is not in the form and format specified by the chair of the meeting.
  - (2) The ballot is blank and cast into the ballot box.
  - (3) The ballot is damaged or marked with blurry writing that makes the voter's decision unreadable.
  - (4) The ballot is tampered or filled in with other texts or symbols.
  - (5) The ballot is marked to vote both for and against a proposal.
  - (6) Other scenarios where it is hard to determine whether the voter is for or against a proposal.
- 11. If any shareholder disputes the voting process, vote counting method, or validity of any ballot, the voting monitoring personnel shall write down such shareholders' shareholder account number, number of shares held and argument, and then archive this record after it is signed or affixed with the seal imprint.
- 12. The chair may in his or her discretion announce breaks during the meeting.
  - If there is any air raid alert or other events that disrupt the meeting, the meeting shall be suspended immediately and be resumed one hour after the event or lifting of the air raid alert.
- 13. The procedure, proceedings, resolution method and all other relevant matters of the shareholders' meeting shall be governed by the Rules. Any matter not contained herein shall be decided by the chair of the meeting unless expressly provided in the Company Act, Securities and Exchange Act, or the Articles of Incorporation of the Company.
- 14. The Rules and any amendment thereof shall become effective upon the approval of the shareholders' meeting.

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#### Appendix 2

## **Articles of Incorporation**

Amended on June 17, 2022

## **Chapter 1 General Provisions**

- Article 1 The Company shall be incorporated under the Company Act of the Republic of China. Its Chinese name shall be 台橡股份有限公司 and its English name shall be TSRC Corporation.
- Article 2 The business scope of the Company shall be as follows:
  - 1. C801060 Synthetic Rubber Manufacturing
  - 2. C804020 Industrial Rubber Products Manufacturing
  - 3. C804990 Other Rubber Products Manufacturing
  - 4. D101040 Non-Public Electric Power Generation
  - 5. D401010 Thermal Energy Supply
  - 6. F401010 International Trade
  - 7. ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 2-1 The aggregate amount of re-investment made by the Company into other businesses as a limited liability shareholder shall not be restricted by the limit of forty percent (40%) of the amount of the Company's paid-in capital.
- Article 2-2 The Company may act as a guarantor where required by the business operation or investment of the Company.
- Article 3 The Company shall have its head office in Kaohsiung City, and may, establish branch offices or factories at suitable locations within or outside the territories of the Republic of China. The establishment, change or termination of any such office or factory shall be made pursuant to a resolution of the board of directors of the Company ("Board of Directors")
- Article 4 Public announcements of the Company shall be made in accordance with the Company Act.

#### Chapter 2 Shares

Article 5 The authorized capital of the Company shall be twelve billion New Taiwan Dollars (NT\$12,000,000,000), divided into one billion and two hundred million (1,200,000,000) shares of a par value of ten New Taiwan Dollar each (NT\$10), which may be issued by the Board of Directors in installments according to the actual needs.

Share certificates may not need to be issued in respect of any share issued by the Company, or in case of any new share issued, a consolidated share certificate may be printed to represent the total number of the new shares to be issued at the same time of issue, and in such case, the share certificate shall be either registered with or in the custody of a centralized securities depository enterprise.

- Article 6 [Deleted]
- Article 7 Unless otherwise stipulated not to print physical share certificates for shares issued by the Company, the share certificates of the Company shall bear the shareholder's name and be issued in accordance with the Company Act and other applicable laws and regulations unless otherwise requires.
- Article 8 [Deleted]
- Article 9 Any share transfer, creation of share pledge, reporting of loss, inheritance, gifting of shares, change or reporting of loss of specimen seal, or change of address by the shareholder of the Company shall be made in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies and other applicable laws and regulations.

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Article 10 Registration for change of shareholder or transfer of shares shall be suspended for a period of sixty (60) days prior to a general shareholders' meeting, thirty (30) prior to an extraordinary shareholders' meeting, or five (5) days prior to the day on which dividends, bonuses, or any other benefits are scheduled to be paid by the Company.

Article 11 [Deleted]

#### Chapter 3 Shareholders' Meeting

Article 12 Shareholders' meetings of the Company are of two kinds: (1) general meeting and (2) extraordinary meeting. The general meeting shall be convened at least once a year within six (6) months after close of each fiscal year. The extraordinary meeting shall be convened whenever necessary in accordance with the applicable laws and regulations.

The meeting notice for the general meeting shall be given to each shareholder no less than thirty (30) days in advance, and for the extraordinary meeting, no less than fifteen (15) days in advance; provided, however, that a public announcement may be made in lieu of meeting notice for shareholders who each holds less than one thousand (1,000) bearer shares in the Company.

Article 12-1 The shareholders' meeting of the Company may be conducted through video conference or other means as announced by the competent authority.

Video conference for the shareholders' meeting shall be held in accordance with the applicable laws, regulations, and the Rules of Procedure for Shareholders' Meetings of the Company.

- Article 13 The shareholders' meeting shall be chaired by the Chairperson of the Board of Directors (the "Chairperson").

  If the shareholders' meeting is convened by any other party with the power to convene, such convening party shall serve as the chair of the meeting, and if there are two (2) or more such convening parties, a chair shall be mutually selected from among themselves.
- Article 14 Each shareholder shall be entitled to one vote for each share held unless otherwise provided in the laws and regulations.

A shareholder, if unable to attend the shareholders' meeting in person, may appoint one proxy to attend on his/her/its behalf by providing a power of attorney in the form printed by the Company and specifying the scope of power authorized to the proxy.

Except for trust enterprises or stock agencies approved by the competent authority, when a person who acts as the proxy for two (2) or more shareholders, the number of voting rights represented by such proxy, if exceeding three percent (3%) of the total number of issued shares of the Company, the excessive portion of the voting rights shall not be counted.

Any shareholder's power of attorney shall be served to the Company no later than five (5) days prior to the date of the shareholders' meeting. In case that two (2) or more copies of the same power of attorney are received from one (1) shareholder, the first one received by the Company shall prevail unless an explicit statement to revoke the previous version is made in the power of attorney which comes later.

After the power of attorney of the shareholder is served to the Company, in case the shareholder issuing the said power of attorney intends to attend the shareholders' meeting in person or to exercise his/her/its voting rights in writing or by electronic means, a written proxy rescission notice shall be provided to the Company two (2) days prior to the date of the shareholders' meeting. If such proxy rescission notice is delayed, the voting rights exercised by the authorized proxy at the meeting will prevail.

Article 15 A resolution of the shareholders' meeting shall, unless otherwise provided by the laws, the regulations, and these articles of incorporation of the Company, be passed by a majority of the shareholders who are present and entitled to vote at the meeting with a quorum of shareholders representing more than fifty percent (50%) of the total number of the issued shares of the Company.

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## **Chapter 4 Directors**

Article 16 The Company shall have five (5) to nine (9) directors, and the actual number of directors to be elected shall be decided by the resolution of the Board of Directors.

The directors shall be elected at the shareholders' meeting from among the individuals who have legal capacity. The total number of shares held by all directors in the Company shall comply with the regulations of the securities regulatory authority.

A candidates nomination system as set forth in Article 192-1 of the Company Act shall be adopted for the election of the directors. The shareholders shall elect the directors from the nominees listed in the roster of director candidates.

Article 16-1 The number of directors provided in the preceding clause to constitute the Board of Directors shall include three (3) independent directors. The independent directors and the non-independent directors shall be elected at the same time but the elected number of the independent directors and the non-independent directors shall be calculated separately.

The professional qualifications, restrictions on both shareholding and concurrent positions held, determination of independence, method of nomination and election, performance of duties and power, and other requirements with regards to the independent directors shall be governed by the Securities and Exchange Act and other relevant laws and regulations.

- Article 16-2 The Company shall establish an audit committee consisting of all independent directors in accordance with the laws and regulations. The duties, power and other relevant requirements of the audit committee and its members shall be governed by the Securities and Exchange Act and other relevant laws.
- Article 17 The term of office for directors shall three (3) years. and all directors may be eligible for re-election.
- Article 18 The directors shall elect one (1) Chairperson from among themselves and such Chairperson shall externally represent the Company.

The Chairperson shall appoint one (1) director to act on his or her behalf if he or she is on leave or for any reason unable to exercise his or her power as Chairperson; if no acting chairperson is appointed, the directors shall elect one from among themselves.

Article 19 The Board of Directors shall decide the business policies and other important matters of the Company unless any of them is required to be resolved by the shareholders' meeting under the Company Act or the articles of incorporation of the Company.

The meeting of the Board of Directors shall be convened and chaired by the Chairperson.

In the event that any director is unable to attend the meeting of the Board of Directors, he or she may appoint another director to act on his or her behalf at the meeting.

A director acting as a proxy, as mentioned in the preceding paragraph, may be appointed by only one person.

The notice of the meeting of the Board of Directors may be in writing or sent via fax or email.

- Article 20 Unless otherwise provided in the laws and regulations, any resolution of the Board of Directors shall be approved by a majority of the directors present at the meeting of the Board of Directors with a quorum of more than one-half of all directors.
- Article 21 [Deleted]
- Article 22 [Deleted]
- Article 23 The remuneration for the directors will be determined by the Board of Directors based on each director's level of involvement and contribution to the Company's operation, while also considering the industry-wide remuneration standards.

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Article 24 [Deleted]

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- Article 24-1 To strengthen its governance and management capabilities, the Board of Directors may form various functional committees. The regulations and policies governing the authorities of these committees shall be established by the Board of Directors.
- Article 24-2 The Company may obtain liability insurance to cover the liabilities of its directors that may result from exercising their duties during their term of office.

#### **Chapter 5 Managerial Officers**

Article 25 The Company may have one (1) or more managerial officers who shall legally manage the business of the Company in accordance with the resolutions of the Board of Directors. The appointment and removal of the managerial officers shall be made in accordance with Article 29 of the Company Act.

The foregoing managerial officers shall have the power to sign documents on behalf of the Company within the authorized scope defined by the relevant regulations regarding levels of delegation.

Article 26 [Deleted]

Article 27 [Deleted]

#### Chapter 6 Accounting

Article 28 The fiscal year of the Company shall commence on January 1 and end on December 31 annually. After the close of each fiscal year, the Board of Directors shall prepare the reports and statements under Article 228 of the Company Act and submit the same to the general meeting of the shareholders for ratification in accordance with the statutory procedures.

Article 28-1 If there is profit at the end of each fiscal year, a ratio of no less than one percent (1%) of the profit shall be allocated as employees' compensation and not more than one percent (1%) of the profit shall be allocated as directors' compensation.

The amount of directors' compensation and the regulation governing the employees' compensation as mentioned in the preceding paragraph shall be decided by the Board of Directors.

Article 29 The industries in which the Company operates its businesses have reached a mature and stable stage. The Company is actively moving toward a globalized and diversified development to seek sustainable growth pursuant to the Company's long-term plan. The dividend policy of the Company is as follows: If there are earnings after closing of accounts, the Company shall first pay all taxes, and make up the losses of the preceding years and then, pursuant to the applicable laws and regulations, set aside a legal reserve of ten percent (10%) of the net profit and either make allowance or reversal for the special surplus reserve. Subsequently, the amount of the remaining profit shall be added to the adjusted beginning period un-retained earnings as the distributable earnings. The Board of Directors shall prepare an earnings distribution proposal for such distributable earnings and submit it to the shareholders' meeting for approval. However, in the case of cash dividends, the proposal could be approved by a majority vote of the directors at the meeting of the Board of Directors with a quorum of two-thirds or more of the directors present and be reported to the shareholders' meeting.

In the distribution of dividends to the shareholders as mentioned in the preceding paragraph, the amount of cash dividends shall not be less than twenty percent (20%) of the aggregate distributable amount.

Article 30 [Deleted]

Article 31 The Company may, in accordance with Article 241 of the Company Act, distribute all or part of the legal reserve and capital surplus by the resolution of the shareholders' meeting, in the form of new shares or cash, to the shareholders in proportion to their shareholding percentages. Cash distribution could be approved by a majority vote of the directors at the meeting of the Board of Directors with a quorum of two-thirds or more of the directors present and be reported to the shareholders' meeting.

Article 32 If the legal reserve has reached the amount of the paid-in capital of the Company, the shareholders' meeting may resolve to stop setting aside any additional amount for the legal reserve.

## Chapter 7 Miscellaneous

Article 33 [Deleted]

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Article 34 Article 35

Matters not provided herein shall be governed by the Company Act and other relevant laws and regulations. These Articles of Incorporation was established on July 27, 1973. The first amendment of the Articles of Incorporation was made on June 25, 1974. The second amendment of the Articles of Incorporation was made on April 23, 1975. The third amendment of the Articles of Incorporation was made on February 27, 1976. The fourth amendment of the Articles of Incorporation was made on June 30, 1976. The fifth amendment of the Articles of Incorporation was made on April 26, 1977. The sixth amendment of the Articles of Incorporation was made on June 20, 1979. The seventh amendment of the Articles of Incorporation was made on May 23, 1980. The eighth amendment of the Articles of Incorporation was made on May 11, 1981. The nineth amendment of the Articles of Incorporation was made on November 25, 1981. The tenth amendment of the Articles of Incorporation was made on May 24, 1983. The eleventh amendment of the Articles of Incorporation was made on May 23, 1984. The twelfth amendment of the Articles of Incorporation was made on April 26, 1985. The thirteenth amendment of the Articles of Incorporation was made on April 29, 1986. The fourteenth amendment of the Articles of Incorporation was made on April 29, 1987. The fifteenth amendment of the Articles of Incorporation was made on May 10, 1988. The sixteenth amendment of the Articles of Incorporation was made on May 12, 1989. The seventeenth amendment of the Articles of Incorporation was made on April 12, 1990. The eighteenth amendment of the Articles of Incorporation was made on April 24, 1991. The nineteenth amendment of the Articles of Incorporation was made on May 14, 1992. The twentieth amendment of the Articles of Incorporation was made on May 20, 1993. The twenty-first amendment of the Articles of Incorporation was made on June 27, 1995. The twenty-second amendment of the Articles of Incorporation was made on June 16, 1996. The twenty-third amendment of the Articles of Incorporation was made on May 24, 1997. The twenty-fourth amendment of the Articles of Incorporation was made on May 26, 1998. The twenty-fifth amendment of the Articles of Incorporation was made on May 29, 1999. The twenty-sixth amendment of the Articles of Incorporation was made on May 27, 2000. The twenty-seventh amendment of the Articles of Incorporation was made on June 20, 2001. The twenty-eighth amendment of the Articles of Incorporation was made on May 30, 2003. The twenty-nineth amendment of the Articles of Incorporation was made on May 31, 2005. The thirtieth amendment of the Articles of Incorporation was made on June 13, 2008. The thirty-first amendment of the Articles of Incorporation was made on June 10, 2011. The thirty-second amendment of the Articles of Incorporation was made on June 6, 2012. The thirty-third amendment of the Articles of Incorporation was made on June 11, 2014. The thirty-fourth amendment of the Articles of Incorporation was made on June 10, 2015. The thirty-fifth amendment of the Articles of Incorporation was made on June 24, 2016. The thirty-sixth amendment of the Articles of Incorporation was made on June 21, 2018. The thirty-seventh amendment of the Articles of Incorporation was made on June 6, 2019. The thirty-eighth amendment of the Articles of Incorporation was made on June 19, 2020. The thirty-nineth amendment of the Articles of Incorporation was made on was made on June 17, 2022.

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#### Appendix 3

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

Amended and adopted on June 19, 2020

- 1. The election of the directors of the Company shall comply with these Rules for Election of Directors (the "Rules").
- The election of directors shall adopt a candidates nomination system as set forth in the Company Act and relevant regulations, and the shareholders shall elect the directors from the candidates listed in the nomination list announced by the Company.

The independent directors and non-independent directors shall be elected in the same election, and the elected number shall be calculated separately.

During the election of directors at the shareholders' meeting, each share shall be entitled to the voting rights in number equal to the number of directors to be elected; such voting rights may be exercised to collectively elect a single candidate or may be distributed among several candidates.

The election of directors shall adopt an open ballot method, wherein the voter's identity is indicated by the share-holder account number or attendance card number printed on the ballot.

The ballots shall be prepared and issued by the board of directors, and the format of the ballot and the items to be filled in shall be decided by the issuer of the ballot. Voters are not allowed to make unauthorized modifications. The ballot for the election of directors shall be cast into the ballot box designated by the chair of the meeting.

In addition to the provisions of the preceding two paragraphs, shareholders may exercise their voting rights in writing or by electronic means; the method of exercising the voting rights in writing or by electronic means shall be set forth in the shareholders' meeting notice.

- 3. The number of directors of the Company shall be determined by the Articles of Incorporation and the announcement of the Company. The voting rights for independent directors and non-independent directors shall be calculated separately. The directors shall be elected in the order of the representing the number of voting rights that are represented by the votes received cast for them. If two or more candidates receive the same number of voting rights, which consequently exceeds the number of directors to be elected, such candidates shall draw lots to decide the winner. If any of such candidate(s) is not present, the chair of the meeting shall draw lots on behalf of the candidate.
- 4. The voters may fill either the candidate's serial number listed in the nomination list or the name of the candidate in the "candidate" column on the ballot, and only one candidate may be filled in each" candidate" column. If the name filled in is the same as that of another candidate, the voter shall add the serial number of the candidate listed in the nomination list, for the purposes of identification.
- 5. Prior to the beginning of the election, two vote monitoring personnel and several vote counting personnel shall be designated by the chair of the meeting to perform their relevant duties accordingly.

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- 6. The duties of the vote monitoring personnel are as follows:
  - (1) Examine and seal the ballot boxes in public before the commencement of voting.
  - (2) Maintain the order during the voting process and monitor the voting process for any negligence, irregularity or violation of the election procedures.
  - (3) Upon completion of the voting, unseal and take out the ballots, and then verify the number of ballots cast.
  - (4) Check the ballots for any conditions that would render them invalid as specified in these Rules.
  - (5) Oversee the recording of the number of votes received by each candidate by the vote counting personnel and collaborate with them in preparing the tally report.
  - (6) Sign the sealed bag of the ballots to attest to the fact of the sealing.
- 7. A ballot is deemed invalid if any of the following circumstances occurs:
  - (1) The ballot is in violation of the Rules, not cast into the ballot box designated by the chair of the meeting, or contains any unauthorized addition, deletion, or alteration.
  - (2) The number of candidates filled in exceeds the number of candidates to be elected.
  - (3) The ballot is not filled in in accordance with Article 4 hereof or includes additional words, texts, or symbols.
  - (4) The ballot is marked with blurry writing that makes the voter's decision unreadable.
  - (5) The ballot is blank and cast into the ballot box.
  - (6) The total number of voting rights exercised by the shareholders exceeds their total voting rights at the meeting.
- 8. The voting time shall be announced by the chair of the meeting and at the end of voting, the ballots shall be counted and then announced on the spot. The counting is conducted without publicly reading the ballot aloud. A tally report shall be prepared after the counting is completed.
- 9. The aforementioned tally report shall contain the total number of voting rights, the number of valid voting rights, the number of invalid voting rights, and the list of elected directors, and shall be signed by the vote monitoring and counting personnel.
- 10. The result, including the list of elected directors and the number of voting rights cast for such electees, shall be announced by the chair of the meeting on the spot.
- Matters not specified in the Rules shall be governed by the Company's Articles of Incorporation, Rules of Procedure, the Company Act and any other relevant laws and regulations.
- 12. The Rules and any amendment thereof shall be put into effect upon approval at the shareholders' meeting.

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#### Appendix 4

## **Disclosure of Directors' Shareholdings**

April 9, 2024

Job title	Name	Shares held
Chairman	Wei Dar Development Co., Ltd. Representative: Ms. Nita Ing	
Director	53,708,923	
Director	Director Han-De Construction Co., Ltd. Representative: Mr. Arthur Chiang	
Director	Han-De Construction Co., Ltd. Representative: Mr. John T. Yu	63,093,108
Independent Director	Mr. Robert Hung	0
Independent Director  Mr. Sean Chao		0
Independent Director  Mr. Rex Yang		0
Shareholdings of D	116,802,031	
Minimum sharehol	dings of Directors	26,422,719

Remark: Up until April 9, 2024, share capital on book closure date, there are 825,709,978 shares.